Al Moammar Information Systems Company (MIS) Prospectus

Al Moammar Information Systems Company (MIS) A Saudi joint stock company established pursuant to Ministerial Resolution No. (52/S) dated 12/02/1429H (corresponding to 20/02/2008G), with Commercial Registration No. 1010063470 on 10/01/1407H (corresponding to 15/09/1986G).

Offering of four million and eight thousand (4,800,000) ordinary shares of MIS, representing 30% of the share capital of MIS for public subscription at an Offer Price of SAR (45) per share.

Offering Period: Five (5) days beginning from Sunday 10/07/1440H (corresponding to 17/03/2019G) to Thursday 14/07/1440H (corresponding to 21/03/2019G)

Al Moammar Information Systems Company (the "Company", "MIS" or the "Issuer") is a closed joint stock company incorporated under the Ministry of Commerce and Investment's Resolution No. 52/S dated 12/02/1429H (corresponding to 20/02/2008G) and registered under Commercial Registration No. 1010063470 dated 10/01/1407H (corresponding to 15/09/1986G) in Riyadh, the Kingdom of Saudi Arabia (the "Kingdom"). The Company's share capital is one hundred and sixty million Saudi Riyals (SAR 160,000,000) divided into sixteen million (16,000,000) ordinary shares with fully paid nominal value of ten Saudi Riyals (SAR 10) per Share (the "Shares").

The Company was originally incorporated as a limited liability company in Riyadh under Commercial Registration No. 1010063470 dated 24/12/1399H (corresponding to 15/11/1979G) under the name of Muhammad Al Moammar & Partners Co. which operated under the commercial name "Computer Services Centre Ltd." Upon incorporation, the Company's capital was one million Saudi Riyals (SAR 1,000,000) divided into one thousand (1,000) ordinary shares with a nominal value of one thousand Saudi Riyals (SAR 1,000) per share. On 07/02/1408H (corresponding to 20/02/1988G), the Company's Shareholders decided to increase its share capital from one million Saudi Riyals (SAR 1,000,000) to two million Saudi Riyals (SAR 2,000,000) divided into two thousand (2,000) ordinary shares with a value of one thousand Saudi Riyals (SAR 1,000) per share by capitalizing one million Saudi Riyals (SAR 1,000,000) from the retained earnings account. On 12/01/1413H (corresponding to 12/07/1992G), the Company's Shareholders decided to change its name from Muhammad Al Moammar & Partners Co. which operated under the commercial name "Computer Services Centre Ltd." to its current registered commercial name "Al Moammar Information Systems Company". On 12/02/1429H (corresponding to 20/02/2008G), the Company was converted from a limited liability company to a closed joint stock company in accordance with Resolution No. 52/S issued by the Minister of Commerce and Investment. The Company's share capital has been increased from two million Saudi Riyals (SAR 2,000,000) to fifty million Saudi Riyals (SAR 50,000,000) divided into five million (5,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share through capitalizing forty-eight million Saudi Riyals (SAR 48,000,000) from the Company's retained earnings account. On 15/02/1440H (corresponding to 24/10/2018G), the Company's share capital was increased from fifty million Saudi Riyals (SAR 50,000,000) to one hundred and sixty million Saudi Riyals (SAR 160,000,000) divided into sixteen million (16,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, through capitalizing one hundred and ten million Saudi Riyals (SAR 110,000,000) from the retained earnings account of the Company.

The Initial Public Offering (the "Offer") of 4,800,000 ordinary shares (the "Offer Shares", each an "Offer Share") with an offer price of SAR (45) per share ("**Offer Price**") wich includes a fully paid nominal value of SAR 10 per share and representing 30% of the Issued Share Capital of the Company, Offer shares are restricted to the following two groups of investors:

Tranche (A) Participating Parties: This tranche include the parties entitled to participate in the Book Building Process as specified under the CMA Instructions on Book Building and Allocation of Shares in Initial Public Offerings (the "Book-Building Instructions") (collectively, the "Participating Parties" and each a "Participating Party") (for more details, please refer to Section 1 ("Definitions and Abbreviations")). The number of Offer Shares to be initially allocated to the Participating Parties actually involved in the Book Building Process from amongst the Participating Parties (collectively, the "Participating Entities" and each a "Participating Entity") is four million and eight-hundred thousand (4,800,000) ordinary shares, representing one hundred per cent (100%) of the Offer Shares. However, the final allocation will be made after the end of the Individual Investors' subscription. The Lead Manager (defined in Section 1 "Definitions and Abbreviations") shall have the right, in the event that there is sufficient demand by Individual Investors, to reduce the number of Offer Shares allocated to Participating Entities to four million, three hundred and twenty thousand (4,320,000) ordinary shares, representing ninety percent (90%) of the Offer Shares.

Tranche (B) Individual Investors: This tranche includes Saudi natural persons, including a Saudi divorced or widowed woman with minor children from a non-Saudi husband, where she shall have the right to subscribe for Offer Shares in their name(s) for her benefit, provided that she submits proof of her marital status and motherhood, as well as Gulf investors who are natural persons (collectively, "Individual Investors" and each an "Individual Investor"). A subscription for shares made by a person in the name of his divorced wife shall be deemed invalid and if an applicant is in breach of this, the law shall be enforced against such an applicant. If any subscriber subscribes to shares twice, the second subscription shall be considered void and only the first subscription shall be considered. Individual Investors will be allocated a maximum of four hundred and eighty thousand (480,000) shares, representing (10%) of the total Offer Shares. If the subscription for Offer Shares by Individual Investors is less than the number of Offer Shares allocated to them for subscription, the Lead Manager shall have the right to reduce the number of Offer Shares allocated to them to equal the number of Offer Shares already subscribed for by them.

The Company's Shareholders (collectively, the "Current Shareholders") owns all the Company's shares prior to the Offering. The Offer Shares shall be sold by the Current Shareholders (collectively, the "Selling Shareholders") in accordance with Schedule 5-1 "Direct Ownership Structure before and after the Offering." Upon completion of the Offering, the Current Shareholders will collectively own 70% of the Shares and will consequently retain a controlling interest in the Company. The proceeds of the Offering after deduction of the offering expenses ("net proceeds of the Offering") shall be distributed to the Selling Shareholders, based on each Selling Shareholder's ownership percentage in the Offer Shares. The Company will not receive any part of the net proceeds of the Offering (for more details, please refer to Section 8 "Use of Proceeds"). The Underwriter has committed to fully underwrite the Offering (for more details, please refer to Section 13 "Underwriting"). Major Shareholders may not dispose of the shares for period of six (6) months ("Lock-up Period") from the date of the shares of the Company are traded on the Saudi Stock Exchange ("Tadawul" or "Exchange") as set out on page (189). The Company's Major Shareholders who own 5% or more of its shares are Ibrahim Abdullah Al Moammar and Khaled Al Moammar. Table 12.1 in Section 12.2 ("the Company") of this Prospectus shows their shareholding percentages in the Company's share capital.

The Offering Period starts on Sunday 10/07/1440H (corresponding to 17/03/2019G) and remains open for a period of five (5) days including and up to the last date of the subscription on Thursday 14/07/1440H (corresponding to 21/03/2019G) ("Offering Period"). Subscription applications for Offer Shares can be submitted by Individual Investors to any branch of the receiving agents (the "Receiving Agents") listed on page (v) during the Offering Period (for more details, please refer to Section 17 ("Offering Terms and Conditions"). The Participating Parties may subscribe in the Offer Shares through the Bookrunner (defined in Section 1 "Terms and Definitions") during the Book Building Process which will take place prior to offering of the Shares to Individual Investors.

Each Individual Investor must submit the Subscription Application for a minimum of ten (10) Offer Shares, noting that the maximum subscription for each Individual Investor is two hundred fifty thousand (250,000) shares for each investor, and the minimum allocation shall be ten (10) shares for each Individual Investor. The remaining Offer Shares, if any, shall be allocated as per the instructions of the Company and the Financial Advisor. The Company does not guarantee the minimum allocation in case the number of Individual Investors exceeds forty-eight thousand (48,000) Individual Investors. The allocation shall be made on a pro rata basis on the ratio of the number of shares requested by each Individual Investor to the total number of shares to be subscribed. Excess subscription monies (if any) will be refunded to the subscribers without any charge or withholding by the related Receiving Agents. Notification of the final allotment and the refund of excess subscription amounts will be made no later than 21/07/1440H (corresponding to 28/03/2019G). (for more details, please refer to "Key Dates and Subscription Procedures" on page (x) and Section 17 ("Offering Terms and Conditions") of this Prospectus). The Company has one class of shares. Each Share entitles its holder to one vote, and each shareholder (a "Shareholder") has the right to attend and vote at the General Assembly meeting of the Company (the "General Assembly Meeting"). No Shareholder benefits from any preferential voting rights. The Offer Shares will be entitled to receive dividends declared and paid by the Company as of the date of this Prospectus ("Prospectus") and subsequent fiscal years (for more details, please refer to Section 7 "Dividend Policy").

Prior to the Offering, there has been no public trading of the Shares in any market in Saudi Arabia or elsewhere. An application has been made by the Company to the CMA for the admission of the Shares to the Official List. All supporting documents required by the CMA have been supplied, and all relevant approvals pertaining to the Offering, including this Prospectus, have been granted. Trading is expected to commence on the Market soon after the final allocation of the Shares and after all relevant legal requirements are fulfilled (for more details, please refer to "Key Dates and Subscription Procedures" on page (x)). Following the commencement of trading in the Shares, Saudi nationals and residents, Gulf Cooperation Council (GCC) nationals, Saudi and GCC companies, banks, and funds will be allowed to trade in the Shares. Qualified Foreign Investors will be permitted to trade in the Shares in accordance with Rules for Qualified Foreign Financial Institutions Investment in Listed Shares (as defined in Section 1 "Definitions and Abbreviation"). Non-Saudi individuals living outside the Kingdom of Saudi Arabia (KSA) and institutions registered outside KSA (collectively, "Foreign Investors" and each "Foreign Investor") will also have the right to make investments indirectly in order to acquire economic benefits in the shares by entering into SWAP agreements with persons authorized by the CMA (hereinafter referred to as "Authorized Persons") to purchase shares listed in the Exchange and to trade these shares in favour of Foreign Investors. Under SWAP agreements, the Authorized Persons will be registered as legal owners of these shares.

Section ("Important Notice") on page (i) and Section 2 ("Risk Factors") of this Prospectus should be considered carefully prior to making an investment decision in the Offer Shares.

Financial Advisor, Lead Manager, Bookrunner and Underwriter

السعودي الفرنسي كابيتال
Saudi Fransi Capital

Receiving Agents

البنك السعودي الفرنسي Banque Saudi Fransi — بنك الرياض riyad bank — SABB ساب

This Prospectus includes information provided in the application for listing and offering of securities in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the Saudi Capital Market Authority ("CMA"), and the application for listing of securities pursuant to the CMA's Listing Rules. Board members whose names appear on page (iii) collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. CMA and Tadawul take no responsibility for the contents of this Prospectus, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

This Prospectus is an unofficial English translation of the official Arabic Prospectus and is provided for information purposes only. The Arabic Prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two language versions.

This Prospectus is dated 24/04/1440H (corresponding to 31/12/2018G).


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MIS
LAN1 ONLINE
LAN2 ONLINE
LAN3 ONLINE
LAN4 ONLINE

Important Notice

This Prospectus includes detailed information regarding the Company and its Offer Shares. When applying for the Offer Shares, investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available on the websites of the Company (www.mis.com.sa), the CMA (www.cma.org.sa), Financial Advisor (www.sfc.sa), or Tadawul (www.tadawul.com.sa).

The Company has appointed Saudi Fransi Capital as a financial advisor (the "**Financial Advisor**"), lead manager (the "**Lead Manager**"), underwriter ("**Underwriter**") in relation to the offered Rights Shares referred to herein and the Bookrunner ("**Bookrunner**") in relation to the Participating Entities.

This Prospectus includes information given in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by CMA. Board members whose names appear on page (iii), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Whilst the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as of the date hereof, substantial portions of the market and industry information herein regarding the industry and markets are derived from external sources. While neither the Company nor the Financial Advisor or the Company's advisors, whose names appear on pages (iv) of this Prospectus (the "Advisors"), have any reason to believe that the information on the market and the industry is materially inaccurate, this information has not been independently verified by the Company or the Advisors. Accordingly, no guarantee is made with respect to accuracy and completeness of any of this information.

The information contained in this Prospectus as of this date is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments in inflation, interest rates, taxation, or other economic, political, and other factors, over which the Company has no control (for more details, please refer to Section 2 ("**Risk Factors**")). Neither the delivery of this Prospectus nor any oral, written, or printed information in relation to the Offer Shares is intended to be, nor should be construed as or relied upon in any way as, a promise or representation as to future earnings, results, or events.

The Prospectus is not to be regarded as a recommendation on the part of the Company, the Directors, the Selling Shareholders, Receiving Agents, or any Advisors to participate in subscribing to the Offer Shares. Moreover, information provided in this Prospectus is of a general nature and has been prepared without considering the individual investment objectives, financial situation, or particular investment needs of the Subscriber. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a financial adviser licensed by CMA in relation to the Offering and for considering the appropriateness of the investment opportunity and information herein with regard to the recipient's individual objectives, financial situation, and needs including advantages and risks of the investment in the Offer Shares. An investment in the Offer Shares may be appropriate for some investors and not others. Prospective investors should not rely on another party's decision and vision to invest or not to invest as a basis for their own examination of the investment opportunity and such an investor's individual circumstances.

Subscribing for the Offer Shares shall be limited to two tranches of investors as follows:

Tranche (A): The Participating Entity, comprising of the parties entitled to participate in the Book Building Process as specified under the CMA Instructions on Book Building and Allocation of Shares in Initial Public Offerings (for more details, please refer to Section (1) "**Definitions and Abbreviations**").

Tranche (B): Individual Investors, comprised of Saudi Arabian natural persons, including the Saudi divorced or widowed woman with minor children from a non-Saudi husband, where she shall have the right to subscribe for Offer Shares in their names name(s) for her benefit, provided she submits proof of her marital status and motherhood, as well as Gulf investors who are natural persons. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and if an applicant is in a breach of this, the law will be enforced against them. If any subscriber subscribes to shares twice, the second subscription shall be considered void and only the first subscription will be considered.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than Saudi Arabia are expressly prohibited except for the Foreign Institutional Investors subject to the applicable laws and instructions. Recipients of this Prospectus are required to inform themselves of any regulatory restrictions relevant to the Offer Shares and to observe all such restrictions.

Information on Industry and Market

Information and data provided in Section 3 ("Market Overview") of the market study report prepared by International Data Corporation (IDC) ("Market Consultant") for the Company. For more information about the Market Consultant, visit the website (https://www.idc.com).

The Market Consultant does not, nor do any of its subsidiaries, sister companies, partner, shareholders, directors, managers, or their relatives, own any shares or any interest of any kind in the Company or its subsidiaries. The Market Consultant has given, and not withdrawn at the date of this Prospectus, its written consent for the use of its name, market information, and data supplied by it to the Company in the manner and format set out in this Prospectus.

Board Members believe that the information and data provided in this Prospectus from other sources, including those provided by the Market Consultant, are reliable information and data. However, this information was not independently verified by the Company, its Board Members, its consultants or its Selling Shareholders, so they assume no liability for the accuracy or completeness of this information.

Financial Information

The Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G and the notes thereto have been prepared in compliance with the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA), and have been audited by Ernst & Young & Associates, Chartered Accountants ("Public Accountant"). The Company's audited consolidated financial statements for the period of six months ended 30 June 2018G and the notes thereto have been prepared in accordance with the International Financial Reporting Standards ("'IFRS") adopted in the Kingdom as well as other standards and notes adopted by SOCPA and have been audited by Ernst & Young & Associates, Chartered Accountants. These Financial Statements are included in Section (19) "Financial Statements and Accountants Report".

Some financial and statistical information contained in this Prospectus have been rounded off to the nearest integer; therefore, if figures contained in the tables are totalled, the total may not match with what has been mentioned in the Prospectus.

Forecasts and Forward-looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions based on the information of the Company as per its expertise in the market in addition to the market information available to the public. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain forecasts and statements in this Prospectus constitute "forward-looking statements." Such statements can generally be identified by their use of forward-looking words such as "plans," "estimates," "projects," "believes," "expects," "anticipates," "may," "will," "should," "expected," "would be," or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events and are not a guarantee of future performance. There are many factors which may cause the actual results, performance, or achievements of the Company to be materially different from any results, performance, or achievements expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other Sections of this Prospectus (for more details, please refer to Section (2) "Risk Factors"). Should any one or more of the risks or uncertainties materialise or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as estimated, believed, expected, or planned.

Pursuant to the requirements of the ROSCOs, the Company must submit a supplementary Prospectus to the CMA if, at any time after the date of the Prospectus and prior to completion of the Offering, the Company becomes aware that: (a) There has been a significant change in material matters contained in the Prospectus or any document required by the ROSCOs; or (b) additional significant matters have become known which would have been required to be included in the Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events, or otherwise. As a result of these and other risks, uncertainties, and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Definitions and Abbreviations

For an explanation of certain definitions and abbreviations included in this Prospectus, please refer to Section (1) "**Definitions and Abbreviations**".

CORPORATE DIRECTORY

Table (1.1): the Board of Directors of the Company

Name	Position	Nationality	Membership Status	Direct Ownership		Indirect Ownership		Appointment Date
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Khaled Abdullah Al Moammar	Chairman	Saudi	Non-executive	31.56%	22.10%	-	-	15/05/2016G
Ibrahim Abdullah Al Moammar	Vice Chairman of the Board	Saudi	Non-executive	34.56%	24.20%	-	-	15/05/2016G
Abdullah Muhammad Al Moammar	Board Member	Saudi	Non-executive	4.40%	3.08%	-	-	15/05/2016G
Faraj bin Mansour Abu Thuneen	Board Member	Saudi	Independent	-	-	-	-	05/03/2018G
Saleh Abdullah Al Dabasi	Board Member	Saudi	Independent	-	-	-	-	05/03/2018G

Source: The Company

**Dates listed in this table are the dates of appointment for current positions in the Board. The biographies of the Board Members state in Section 5.2.3 ("Biographies of Board Members and the Board Secretary") the dates at which all Board Members were appointed to the Board or any other position.*

Company's Address & Representatives

Al Moammar Information Systems Company (MIS)
King Abdul Aziz Road - Al Rabie District
P.O. Box: 16116
Riyadh 11464, KSA
Phone No.: +966 (11) 205 7800
Fax No.: +966 (11) 205 7807
Website: www.mis.com.sa
E-mail: info@mis.com.sa

Company's Representatives

Ibrahim Abdullah Al Moammar (Vice-Chairman)
Al Moammar Information Systems Company (MIS)
King Abdul Aziz Road - Al Rabie District
P.O. Box: 16116
Riyadh 11464, KSA
Phone No.: +966 (11) 205 7800
Fax No.: +966 (11) 205 7807
Website: www.mis.com.sa
E-mail: ibrahim.almoammar@mis.com.sa

Ziad Murtaja (Chief Executive Officer)
Al Moammar Information Systems Company (MIS)
King Abdul Aziz Road - Al Rabie District
P.O. Box: 16116
Riyadh 11464, KSA
Phone No.: +966 (11) 205 7800
Fax No.: +966 (11) 205 7807
Website: www.mis.com.sa
E-mail: zmortaja@mis.com.sa

Stock Exchange

Saudi Stock Exchange (Tadawul)
Tawuniya Towers, Northern Tower
700 King Fahad Road
P.O. Box: 60612
Riyadh 11555, KSA
Phone No.: +966 (11) 218 9999
Fax: +966 (11) 218 1220
Website: www.tadawul.com.sa
E-mail: webinfo@tadawul.com.sa

Advisors

Financial Advisor, Lead Manager and Underwriter
Saudi Fransi Capital Riyadh – King Fahad Road P.O. Box: 23454 Riyadh 11426, KSA Phone No.: +966 (11) 282 6666 Fax: +966 (11) 282 6823 Website: www.sfc.sa E-mail: info@fransicapital.sa
Legal Advisor
Law Firm of Salah Al-Hejailan 54 Al Ahsa Street P.O. Box: 1454 Riyadh 11431, KSA Phone No.: +966 (11) 479 2200 Fax No.: +966 (11) 479 1717 Website: http://www.hejailanlaw.com E-mail: lfshriyadh@hejailanlaw.com
Financial Due Diligence Adviser
KPMG AlFozan & Partners Certified Public Accountants KPMG Tower Salahudeen Al Ayoubi Road P.O. Box: 92876 Riyadh 11663, KSA Phone No.: +966 (11) 874 8500 Fax No.: +966 (11) 874 8600 Website: www.kpmg.com/sa Email: marketingsa@kpmg.com
Chartered Accountant
Ernst & Young & Associates, Chartered Accountants Al Faisaliyah Tower P.O. Box: 2732 Riyadh 11461, KSA Phone No.: +966 (11) 273 4740 Fax No.: +966 (11) 273 4730 Website: www.ey.com E-mail: Riyadh@sa.ey.com
Market Study Consultant
Riyadh Galleria Mall 4th Floor, Entrance A1 King Fahad Road Riyadh, P.O. Box: 18648 Riyadh 11425, KSA Phone No.: +966 (11) 434 8282 Fax No.: +966 (11) 434 8200 Website: www.idc.com E-mail: riyadh@idc.com

Receiving Agents	
Banque Saudi Fransi Ma'ather Street, P.O. Box 56006 Riyadh 11554, KSA Phone: +966 (11) 404 2222 Fax: +966 (11) 404 2311 Website: www.alfransi.com.sa E-mail: communications@alfransi.com.sa	
Riyad Bank King Abdul Aziz Road P.O. Box 22622 Riyadh 11614, KSA Phone: +966 (11) 401 3030 Fax: +966 (11) 404 2618 Website: www.riyadbank.com E-mail: customercare@riyadbank.com	
Saudi British Bank (SABB) Prince Abdulaziz Bin Musa'ad Bin Jalawi Street P.O. Box 9084, Riyadh 11413 Kingdom of Saudi Arabia Phone: +966 (11) 405 0677 Fax: +966 (11) 405 0660 Website: www.sabb.com E-mail: sabb@sabb.com Phone: +966 (11) 477 4770	

Summary of the Offering

This summary of the Offering aims to give a brief overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and prospective investors should read this entire Prospectus in full. Any decision to invest in the Offer Shares by prospective investors should be based on a consideration of this Prospectus as a whole.

In particular, it is important to carefully consider the "Important Notice" on page (i) and Section (2) "Risk Factors" prior to making any investment decision in the Offer Shares.

Company Name, Description and Establishment Information	Al Moammar Information Systems Company is a closed joint stock company incorporated under Ministry of Commerce and Investment Resolution No. 52/S dated 12/02/1429H (corresponding to 20/02/2008G) and registered under Commercial Registration No. 1010063470 dated 10/01/1407H (corresponding to 15/09/1986G) in Riyadh, KSA. The Company's share capital is one hundred and sixty million Saudi Riyals (SAR 160,000,000) divided into sixteen million (16,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per Share. The Company was originally incorporated as a limited liability company in Riyadh under Commercial Registration No. 1010063470 dated 24/12/1399H (corresponding to 15/11/1979G) under the name Muhammad Al Moammar & Partners Co. which operated under the commercial name "Computer Services Centre Ltd." Upon incorporation, the Company's capital was SAR one million Saudi Riyals (SAR 1,000,000) divided into one thousand (1,000) ordinary shares with a nominal value of one thousand Saudi Riyals (SAR 1,000) per share. On 07/02/1408H (corresponding to (20/02/1988G), the Company's Shareholders decided to increase its share capital from one million Saudi Riyals (SAR 1,000,000) to two million Saudi Riyals (SAR 2,000,000) divided into two thousand (2,000) ordinary shares with a value of one thousand Saudi Riyals (SAR 1,000) per share by capitalizing one million Saudi Riyals (SAR 1,000,000) from the retained earnings account. On 12/01/1413H (corresponding to 12/07/1992G), the Company's Shareholders decided to change its name from Muhammad Al Moammar & Partners Co. which operated under the commercial name "Computer Services Centre Ltd." to its current registered commercial name "Al Moammar Information Systems Company." On 12/02/1429H (corresponding to 20/02/2008G), the Company was converted from a limited liability company to a closed joint stock company in accordance with Resolution No. 52/S issued by the Minister of Commerce and Investment. The Company's share capital has been increased from two million Saudi Riyals (SAR 2,000,000) to fifty million Saudi Riyals (SAR 50,000,000) divided into five million ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share through capitalizing forty-eight million Saudi Riyals (SAR 48,000,000) out of the Company's retained earnings account. On 15/02/1440H (corresponding to 24/10/2018G), the Company's share capital was increased from fifty million Saudi Riyals (SAR 50,000,000) to one hundred and sixty million Saudi Riyals (SAR 160,000,000) divided into sixteen million (16,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, through capitalizing one hundred and ten million Saudi Riyals (SAR 110,000,000) from the retained earnings account of the Company.
Activities of the Company	Company's purposes, according to its bylaws, are as follows: • Importing and exporting. • Wholesale and retail trade in computers and electronic devices (installation, operation, and maintenance). • Wholesale and retail trade in, and maintenance of, electronic devices. • Electrical and electronic works (installation, operation, and maintenance of computers). • Communication technology (installation, operation, and maintenance). • Contracting activity in works related to telecommunication networks and electronic installations, maintenance and operation of electrical installations, maintenance of telephone networks, general building contracting, works, installation, operation, and maintenance of machinery and plants, and provision of logistics services. • Importing, marketing, installation, and maintenance of telecommunication and IT equipment. • Implementation of contracts for the installation and operation of GIS, remote sensing, communications, training, and associated technical support

<table>
<tr><td>Major Shareholders, Number of their Shares and Shareholding Percentage before and after the Offering</td><td>The following table sets out number of the Major Shareholders’ Shares and Shareholding before and after Offering.
<table>
<tr><th rowspan="2">Shareholders</th><th colspan="3">Pre-Offering</th><th colspan="3">Post-Offering</th></tr>
<tr><th>No. of Shares</th><th>Nominal Value (SAR)</th><th>Percentage</th><th>No. of Shares</th><th>Nominal Value (SAR)</th><th>Percentage</th></tr>
<tr><td>Khaled Abdullah Al Moammar</td><td>5,050,305</td><td>50,503,050</td><td>31.56%</td><td>3,535,213</td><td>35,352,130</td><td>22.10%</td></tr>
<tr><td>Ibrahim Abdullah Al Moammar</td><td>5,530,305</td><td>55,303,050</td><td>34.56%</td><td>3,871,212</td><td>38,712,120</td><td>24.20%</td></tr>
<tr><td>Total</td><td>10,580,610</td><td>105,806,100</td><td>66.12%</td><td>7,406,425</td><td>74,064,250</td><td>46.3%</td></tr>
</table>
Source: The Company</td></tr>
<tr><td>Company’s Share Capital</td><td>One hundred and sixty million Saudi Riyals (SAR 160,000,000)</td></tr>
<tr><td>Total Number of Company Shares</td><td>Sixteen million (16,000,000) fully paid ordinary shares.</td></tr>
<tr><td>Nominal Value Per Share</td><td>Ten Saudi Riyals (SAR 10) per share.</td></tr>
<tr><td>The Offer</td><td>Offering of four million and eight-hundred thousand (4,800,000) ordinary shares representing 30% of the share capital of the Company for public subscription at an Offer Price of SAR (45) per share with a fully paid nominal value of ten Saudi Riyals (SAR 10).</td></tr>
<tr><td>Number of Offer Shares</td><td>Four million and eight-hundred thousand (4,800,000) fully paid ordinary shares.</td></tr>
<tr><td>Percentage of Offer Shares</td><td>The Offer Shares represent 30% of the Company’s share capital.</td></tr>
<tr><td>Offer Price</td><td>SAR (45) per Offer Share.</td></tr>
<tr><td>Total Value of Offering</td><td>SAR (216,000,000).</td></tr>
<tr><td>Use of Proceeds</td><td>The proceeds of the Offering amounting to approximately SAR (201,000,000) (after deduction of all costs and expenses amounting to approximately SAR (15,000,000)) will be paid to the Selling Shareholders on a pro rata basis. The Company will not receive any part of the Net Proceeds (for more details, please refer to Section (8) “Use of Proceeds”).</td></tr>
<tr><td>Number of Offer Shares Underwritten</td><td>Four million and eight-hundred thousand (4,800,000) ordinary shares.</td></tr>
<tr><td>Total Offer Value Underwritten</td><td>SAR (216,000,000).</td></tr>
<tr><td>Targeted Investors</td><td>Tranche (A): The Participating Entities: Includes the parties entitled to participate in the Book Building Process in accordance with the Instructions on Book Building (please refer to Section (1) “Definitions and Abbreviations”) of this Prospectus). These investors may apply for the Offer Shares in accordance with the conditions set forth in this Prospectus. The Bookrunner will provide the Subscription Application Form to the Institutional Investors.
Tranche (B): Individual Investors: This tranche includes Saudi Arabian natural persons, including a Saudi divorced or widowed woman with minor children from a non-Saudi husband, where she shall have the right to subscribe for Offer Shares in their name(s) for her benefit, provided she submits proof of her marital status and motherhood, as well as Gulf investors who are natural persons. A subscription for shares made by a person in the name of his divorced wife shall be deemed invalid and if an applicant is in breach of this, the law shall be enforced against such an applicant. If any subscriber subscribes to shares twice, the second subscription shall be considered void and only the first subscription will be considered.</td></tr>
<tr><td colspan="2">Total Number of Offer Shares for Each Tranche of Targeted Investors:</td></tr>
<tr><td>Number of Shares Offered to Participating Entities</td><td>Four million and eight-hundred thousand (4,800,000) ordinary shares representing (100%) of the total Offer Shares noting that if there is sufficient demand from Individual Investors and Individual Investors subscribed to all Offer Shares allocated to them. The Lead Manager shall have the right to reduce the number of the shares allocated to the Participating Entities to four million, three hundred and twenty thousand (4,320,000) shares representing ninety percent (90%) of the total Offer Shares.</td></tr>
</table>

Number of Shares Offered to Individual Investors	A maximum of four hundred and eighty thousand (480,000) shares, representing (10%) of the total Offer Shares.
Subscription Method for Each Tranche of Targeted Investors	
Subscription Method for Participating Entities	Participating Entities, as defined in Section (1) "Definitions and Abbreviations", may apply for subscription. The Lead Manager will provide the Subscription Application Forms to the Participating Entities during the Book Building Process. Following the initial allocation, the Lead Manager will provide Subscription Forms to the Participating Parties, which shall fill in such forms accordance with the instructions set forth in Section 17 ("Subscription Terms and Conditions").
Subscription Methods for Individual Investors	Subscription Application Forms will be available at the branches of Receiving Agents during the Offering Period. Subscription Application Forms must be completed in accordance with the instructions described in Section 17 ("Subscription Terms and Conditions"). Individual Investors who have already subscribed in previous initial public offerings (IPOs) in the KSA may also subscribe through the internet, telephone banking, or ATMs at any branches of the Receiving Agents which offer some or all of these services to their customers provided that: (a) the Investor must have a bank account at the relevant Receiving Agent which offers such services; and (b) there have been no changes to the personal information of the Individual Investor since it last participated in an IPO.
Minimum Number of Offer Shares to be Applied for by Each Tranche of Targeted Investors	
In case of Participating Entities	One hundred thousand (100,000) ordinary shares.
In case of Individual Investors	Ten (10) ordinary shares.
Amount of Minimum Number of Offer Shares to be Applied for by Each Tranche of Targeted Investors	
In case of Participating Entities	SAR (4,500,000).
In case of Individual Investors	SAR (450).
Maximum Number of Offer Shares to be Applied for by Each Tranche of Targeted Investors	
In case of Participating Entities	Seven hundred, ninety-nine thousand, nine hundred and ninety-nine (799,999) ordinary shares, in case of public funds only, not exceeding the maximum limit for each participating public fund, which shall be determined in accordance with the Book Building Instructions.
In case of Individual Investors	Two hundred and fifty thousand (250,000) ordinary shares.
Amount of Maximum Number of Offer Shares to be Applied for by Each Tranche of Targeted Investors	
Amount of Maximum Number of Shares to be Applied for by the Participating Entities	SAR (35,999,955).
Amount of Maximum Number of Shares to be Subscribed for by Individual Investors	SAR (11,250,000).
Method of Allocations and Refunds for Each Tranche of Targeted Investors	
Allocation of Offer Shares to Participating Entities	After the allocation of Offer Shares to Individual Investors, the Lead Manager will allocate the Offer Shares to the Participating Entities. The number of Offer Shares to be initially allocated to the Participating Parties is four million and eight-hundred thousand (4,800,000) ordinary shares representing (100%) of the total Offer Shares noting that if there is sufficient demand from Individual Investors, the Lead Manager shall have the right to reduce the number of the shares allocated to the Participating Entities four million, three hundred and twenty thousand (4,320,000) shares representing (90%) of the total Offer Shares.
Allocation of Offer Shares to Individual Investors	Allocation of the Offer Shares to Individual Investors is expected to be completed no later than 21/07/1440H (corresponding to 28/03/2019G), noting that the minimum allocation shall be ten (10) shares for each Individual Investor and the maximum subscription for each Individual Investor is two hundred fifty thousand (250,000) shares for each investor. The remaining Offer Shares, if any, will be allocated, as per the instructions of the Company and Financial Advisor. The Company does not guarantee the minimum allocation in case the number of Individual Investors exceeds forty-eight thousand (48,000) Individual Investors. In this case, the allocation shall be made as per the instructions of the Company and Financial Advisor.

Refund of Excess Subscription Monies	Excess subscription monies (if any) will be refunded to the Subscribers without any deduction, charge, or withholding by the Lead Manager or Receiving Agents (as the case may be). Notification of the final allocation and the refund of excess subscription amounts will be made no later than 21/07/1440H (corresponding to 28/03/2019G) (please refer to "**Key Dates and Subscription Procedures**" on page (x) and Section 17 "(**Subscription Terms and Conditions**") of this Prospectus).
Offering Period	The Offering Period will commence on Sunday 10/07/1440H (corresponding to 17/03/2019G) and will remain open for a period of 5 days, including and up to the last date of the subscription Thursday 14/07/1440H (corresponding to 21/03/2019G).
Dividend Distribution	The Offer Shares shall be entitled to receive dividends declared and paid by the Company from the date of the Prospectus and subsequent financial years (please refer to Section 7 ("**Dividend Policy**").
Voting Rights	All of the Company shares are ordinary shares with one class. Each of the Shares entitles its holder to one vote. Each shareholder shall have the right to attend and vote at the General Assembly meetings of the Company. No Shareholder shall have any preferential rights (please refer to Section 12.15 ("**Description of Shares**")).
Restrictions on Dealings in Shares (Restriction Period)	The Major Shareholders shall be subject to a Lock-up Period of six months from the date on which trading of the Offer Shares commences on the Exchange. During this period, the Major Shareholders may not dispose of any of their Shares.
Shares previously listed by the Company (if any)	Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere. The Company has applied to CMA for admission and offering of the Shares as per Rules on the Offer of Securities and Continuing Obligations. In addition, the Company has applied to Tadawul for admission of the Shares in accordance with the Listing Rules. All relevant approvals pertaining to the Offering have been obtained. All supporting documents required by the CMA have been completed. Trading is expected to commence on the Exchange soon after the final allocation of the Shares (for more details, please refer to "**Key Dates and Subscription Procedures**" on page (x)).
Risk Factors	There are certain risks related to investment in the Offer Shares. These risks can be categorised into: (1) risks related to the operations of the Company; (2) risks related to the market, industry, and regulatory environment; and (3) risks related to the Offer Shares. These risks are described in Section 2 ("**Risk Factors**") and should be considered carefully prior to making a decision to invest in the Offer Shares.
Offering Expenses	The Selling Shareholder shall incur all expenses and costs pertaining to the Offering, estimated at SAR (15,000,000) and such expenses will be deducted from the proceeds of the Offering. These expenses include fees of Financial Advisors, Underwriter, Legal Advisor, Chartered Accountant, and Market Study Consultant as well as the Receiving Agents fees, marketing, printing, and distribution and other relevant expenses.
Underwriter	Saudi Fransi Capital Riyadh – King Fahad Road P.O. Box: 23454, Riyadh 11426 Kingdom of Saudi Arabia Phone No.: +966 (11) 282 6666 Fax: +966 (11) 282 6823 Website: www.sfc.sa E-mail: info@fransicapital.sa

Note: The "Important Notice" section on page (i) and Section 2 ("Risk Factors") should be considered carefully prior to making an investment decision in the Offer Shares.

Key Dates and Subscription Procedures

Event	Date
Offering Period of the Participating Entities and Book Building Process	The Offering Period will start from 22/06/1440H (corresponding to 27/02/2019G) and end on 05/07/1440H (corresponding to 12/03/2019G).
Offering Period of the Individual Investors	The Offering Period will start from 10/07/1440H (corresponding to 17/03/2019G) and end on 14/07/1440H (corresponding to 21/03/2019G).
Last date for submission of Application Forms for the Participating Entities based on the number of shares initially allocated to each of them	12/07/1440H (corresponding to 19/03/2019G).
Last date for submission of Application Forms and payment of subscription monies for Individual Investors	14/07/1440H (corresponding to 21/03/2019G).
Last date for payment of subscription monies for the Participating Entities based on the number of shares allocated to each of them	13/07/1440H (corresponding to 20/03/2019G).
Notification of final allocation of Offer Shares	21/07/1440H (corresponding to 28/03/2019G).
Refund of excess subscription monies (if any)	21/07/1440H (corresponding to 28/03/2019G).
Expected date of commencement of trading in the Stock Exchange	Trading in the company shares in the market is expected to commence after fulfilment of all relevant statutory requirements. Trading will be announced through local newspapers and the Tadawul website (www.tadawul.com.sa).

Note: The above-mentioned timetable and dates are prospective. Actual dates will be announced through national daily newspapers and on the Tadawul website (www.tadawul.com.sa) and the websites of the Financial Advisor (www.sfc.sa) and CMA (www.cma.org.sa).

How to apply

Subscription in the Offer Shares is restricted to the following tranches of investors:

Tranche (A): The Participating Entities, comprising of the parties entitled to participate in the Book Building Process in accordance with the Instructions on Book Building (for more details, please refer to Section 1 ("**Definitions and Abbreviations**")). These investors may apply for the Offer Shares in accordance with the conditions set forth in this Prospectus. The Bookrunner will provide the Subscription Application Form(s) to the Institutional Investors.

Tranche (B): Individual Investors, comprising of Saudi Arabian natural persons, including a Saudi divorced or widowed woman with minor children from a non-Saudi husband, where she shall have the right to subscribe for Offer Shares in their name(s) for her benefit, provided she submits proof of her marital status and motherhood, as well as Gulf investors who are natural persons. A subscription for shares made by a person in the name of his divorced wife shall be deemed invalid and if an applicant is in breach of this, the law shall be enforced against such an applicant. If any subscriber subscribes to shares twice, the second subscription shall be considered void and only the first subscription will be considered.

Application Forms will be made available to Individual Investors during the Subscription Period at the branches of the Receiving Agents. Subscription can also be made through the Internet, telephone banking, or ATMs of the Receiving Agents which offer all or some of such services to the Individual Investors who have participated in a recent subscription, provided that:

1- The Individual Investor shall have an account held with the Receiving Agents that offer such services, and
2- There should have been no changes in the personal information of the Individual Investor (by deleting or adding a family member) since his subscription in a recent offering.

Subscription Application Forms must be completed in accordance with the instructions set out in Section 17 ("**Subscription Terms and Instructions**") of this Prospectus. Each applicant must complete all relevant items of the Subscription Form. The Company reserves the right to decline any Subscription Application, in part or in whole, in the event any of the subscription terms and conditions are not met. Amendments to and withdrawal of the Subscription Application shall not be permitted once the Subscription Application has been submitted. The submission of Subscription Application Form is considered a binding agreement between the relevant subscriber and the Selling Shareholder (please refer to Section 17 ("**Subscription Terms and Conditions**") of this Prospectus).

Excess subscription monies, if any, will be refunded without any commissions or withholding to the prime Subscriber's main account held with the Receiving Agent which deducted the subscription value by Lead Managers or Receiving Agents. The excess subscription value shall not be refunded in cash or to third-party accounts.

For more information on the subscription of the Individual Investors or Participating Entities, please refer to Section 17 ("**Subscription Terms and Conditions**").

Summary of Key Information

This summary of key information aims to give an overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and prospective investors should read this entire Prospectus in full. Any decision to invest in the Offer Shares by prospective investors should be based on a consideration of this Prospectus as a whole, in particular Section ("**Important Notice**") on page (i) and Section 2 ("**Risk Factors**") prior to making an investment decision in the Offer Shares.

Overview of the Company

Corporate History

The Company was originally incorporated as a limited liability company and registered on 24/12/1399H (corresponding to 15/11/1979G) under the name of Muhammad Al Moammar & Partners Co. which operated under the commercial name: "Computer Services Centre Ltd." under Commercial Registration No. 1010063470.

The Company's share capital was one million Saudi Riyals (SAR 1,000,000) divided into one thousand (1,000) ordinary shares with a value of one thousand Saudi Riyals (SAR 1,000) per share. On 05/07/1403H (corresponding to 18/04/1983G), Abdullah Muhanna Al Moayad and Hamad Hassan Al Ajaji assigned by a unanimous decision of the partners their entire share in the Company as follows: Abdullah Muhanna Al Moayad assigned his entire 450 shares to Khalid Abdullah Al Moammar; Hamad Hassan Al-Ajaji assigned his entire 100 shares as follows: 50 shares to Khalid Abdullah Al Moammar and 50 shares to Mohammed Abdullah Al Moammar. On 07/02/1408H (corresponding to (20/02/1988G), the Company increased its share capital from one million Saudi Riyals (SAR 1,000,000) to two million Saudi Riyals (SAR 2,000,000) divided into two thousand (2,000) ordinary shares with a value of one thousand Saudi Riyals (SAR 1,000) per share by unanimous decision of the Shareholders. The capital increase was made by capitalizing one million Saudi Riyals (SAR 1,000,000) from the Company's retained earnings account. One thousand (1,000) new shares were issued in proportion to the number of existing shareholders of the Company. On 12/01/1413H (corresponding to 12/07/1992G), the Company's Shareholders unanimously decided to change its name from Muhammad Al Moammar & Partners Co. (which operated under the commercial name: "Computer Services Centre Ltd." to its current registered commercial name: "Al Moammar Information Systems Company." By the same decision, the current partners, Mohammed Abdullah Al Moammar and Khalid Abdullah Al Moammar, assigned 333 shares to Ibrahim Abdullah Al Moammar. On 12/02/1429H (corresponding to 20/02/2008G), the Company was converted from a limited liability company to a closed joint stock company in accordance with Resolution No. 52/S issued by the Minister of Commerce and Investment. Meanwhile, the Company's share capital has been increased from two million Saudi Riyals (SAR 2,000,000) to fifty million Saudi Riyals (SAR 50,000,000) divided into five million (5,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share through capitalizing forty-eight million Saudi Riyals (SAR 48,000,000) out of the Company's retained earnings account. Four million and eight-hundred thousand (4,800,000) new shares were issued. On 26/11/1429H (corresponding to 28/11/2008G), the ownership of the entire shares of Mohammed Abdullah Al Moammar in the Company (33.33% of the shares) was transferred to his heirs. On 19/10/1438H (corresponding to 29/01/2017G), the ownership of the entire shares of Latifa Saud Al Moammar in the Company (33.33% of the shares) was transferred to her heirs. On 15/02/1440H (corresponding to 24/10/2018G), the Company's share capital was increased from fifty million Saudi Riyals (SAR 50,000,000) to one hundred and sixty million Saudi Riyals (SAR 160,000,000) divided into sixteen million (16,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, through capitalizing one hundred and ten million Saudi Riyals (SAR 110,000,000) from the retained earnings account of the Company.

Principal Activities of the Company

Al Moammar Information Systems Company is a comprehensive provider of integrated ICT solutions and services, offering a full range of ICT solutions and services including consultancy and development, technical consultancy, supply, implementation, project and program management, support, and maintenance. This includes network and information systems, information centre systems, information security and cybersecurity systems, service management systems, software solutions, and geographic survey systems.

The Company's activities according to its bylaws are as follows:

- Importing and exporting.
- Wholesale and retail trade in computers and electronic devices (installation, operation and maintenance).
- Wholesale and retail trade in, and maintenance of, electronic devices.
- Electrical and electronic works (installation, operation, and maintenance of computers).
- Communication technology (installation, operation, and maintenance).
- Contracting activity in works related to telecommunication networks and electronic installations, maintenance and operation of electrical installations, maintenance of telephone networks, general building contracting, works, installation, operation, and maintenance of machinery and plants, and provision of logistics services.
- Importing, marketing, installation, and maintenance of telecommunication and IT equipment.
- Implementation of contracts for the installation and operation of GIS, remote sensing, communications, training, and associated technical support.

Company's Vision, Mission and Strategy

Vision

The Company aims to be the leading ICT solutions and services partner to the Kingdom and the region.

Message

The Company seeks to successfully implement and provide its vast knowledge and expertise in delivering the best technology solutions, making Saudi Arabia's ICT industry a core enabler of community development and prosperity.

Strategy

The Company carries out its business as a provider of comprehensive services and solutions in the ICT sector, providing a range of solutions and services through six integrated Business Units. Each Unit covers a significant segment of ICT domains and disciplines. Business Units operate in in light of an interdependent and integrated environment to deliver comprehensive solutions with the highest standards of quality and excellence in the market. The Company strives to take advantage of its leading position to continue to gain market share by consolidating its ICT partnership for its customers from the public and private sector. The Company continues to expand its presence in the Kingdom and strengthen its portfolio of products and services with a view to maximizing shareholders' returns. To achieve this vision, the Company adopted the following business strategy:

(A) Increasing Governmental Works

The Kingdom's Vision 2030 and Vision Realization Program represent a significant opportunity for ICT solutions and service providers. The Company already has well established relationships with government agencies, with government contracts accounting for 59.34% of the Company's revenues in the first half of 2018G (30/06/2018G) (for further information, please refer to Section 4.8.3 ("Customers") of this Prospectus). The Vision Realization Program is expected to enhance demand in the entire business portfolio of the Company. The Company believes that its excellent implementation history, strong financial position and comprehensive skills in the ICT fields and disciplines will enable it to gain a significant share in this growth. In addition, the Company has the highest level contractor rating for government contracts in the field of e-business, enabling it to bid on all government ICT business (for more details, please refer to Section 12 ("Legal Information") of this Prospectus).

(B) Disciplined and Regular Growth

The Company has always been disciplined with regard to the size and scope of its business, launching new Business Units only after rigorous market studies. In addition, the Company has long been trusted by customers with their business. Before promoting its existing product offerings or launching new service lines, the Company closely monitors emerging market trends, changes in customer preferences and requirements, and new technology developments. Over the years, the Company has aligned its Business Units with the prevailing market trends. This reflects the rapidly changing nature of the ICT sector and is a testament to the Company's dynamic management team, which has always been able to adapt and respond to the market. At present, the Company aims to expand the scope of its high margin business through:

1- Expanding its portfolio of professional services related to emerging technologies and digital transformation services, particularly cloud computing, artificial intelligence, and information security;
2- Increasing its investments in software-as-a-service capabilities through acquisitions and partnerships.
3- Expanding its portfolio of solutions especially in healthcare, smart cities, e-development, process technologies, and mobility.

(C) Focus on emerging technologies

The Company regularly follows new technologies, industry segments, and market trends in the ICT sector. The Company has the ability to offer greater value propositions to its customers to achieve efficient business execution, improve productivity, and reduce costs by working closely with its customers.

(D) Expansion through complementary technology and sub-sectors

The Company will use its knowledge, innovations, and expertise in ICT to deliver bespoke products to meet the individual needs of the customers' sectors. For example, there is a new wave of convergence between information technology and industrial process management technology. This represents significant savings opportunity for industrial customers. In addition, the Company is exploring other technologies and solutions such as industrial security and energy efficiency solutions.

(E) Further strengthening supplier partnerships

For each of its six Business Units, the Company has longstanding and well established relationships with some of the world's leading ICT companies. Examples are:

- **Solutions Unit:** Oracle, ESRI, IBM, Link, eProceed and SAP.
- **System Unit**: HPE, Aruba, VMWARE, Microsoft, Dell EMC and Veeam.
- **Networking Unit**: Cisco, F5, Schneider Electric and Netnuvem.
- **Information Security Unit**: Palo Alto, Symantic, Intel Security, Fire Eye and Zinad.
- **Business Services Management Unit**: BMC, FLEXERA and BDNA.
- **Operation and Maintenance Unit**: Column IT and Vyom Labs.

The Company's relationship with strategic suppliers has long been of benefit to both parties. On the one hand, the Company has the ability to deliver leading ICT products and services to its customers; on the other hand, suppliers have access to the growing ICT market in the Kingdom (please refer to Section 4.8.4 ("**Supplier Partnerships**") of this Prospectus for more information on the strategic supplier partnerships concluded by the Company). The Company will continue to seek strategic opportunities to enhance its relationship with suppliers.

(F) Flexibility through non-exclusive relationships with suppliers

While the Company values its strategic supplier relationships, and despite that the non-exclusive nature of these relationships can lead to an increase to the Company's competitors (which is a risk), the non-exclusivity affords the Company greater flexibility in offering products and solutions tailored to specifications which are required by its customers. Often, this may require the Company to procure products and services from its non-strategic suppliers (for more information, please refer to Section 4.8.4 ("**Supplier Partnerships**")).

(G) Maintaining a reputation for reliability and high quality services

The Company enjoys an excellent reputation for its quality, accurate and reliable services. The Company's long-term customer relationships, coupled with its track record of successful and timely project implementation, are proof of the quality of its brand and services. In order to maintain this high level of excellence, the Company will continue to recruit highly skilled staff to ensure that its services are delivered in accordance with the highest standards. The Company has also established a project management office to ensure quality and execute projects on time (for more information, please refer to Section 4.9.3 ("**Project Management Office**")). The Company will strengthen this range of factors to enhance the Company's reputation in the market to establish customer relationships and significantly increase potential revenue streams.

(H) Strengthening relationships with strategic customers

The Company intends to strengthen its long-term relationships with strategic customers in both the public and private sectors. As part of this strategy, the Company intends to have an ideal customer portfolio to better focus and deliver services across the different geographic regions and sectors in which they operate. In addition, the Company has consistently reviewed its market coverage plans to ensure optimal coverage and maintain long-term relationships with its customers. The Company's ability to establish and strengthen customer relationships and expand its services will help increase revenue and profitability (for more information, please refer to Section 4.8.3 ("**Customers**")).

(I) Further enhancing and improving operational efficiency

The Company continuously seeks to enhance and improve its operational efficiency and capabilities in order to enhance profit margins and interest for Shareholders. To this end, the Company changed its resource planning and project management systems to Oracle Fusion's cloud based solutions which should enable the Company have detailed visibility of its operations and assist in timely decision making with a view to achieve greater efficiency. The Company also plans to increase its profits by increasing its high margin business and improving margins overall. At the same time, the Company intends to streamline its cost structure with a focus on the optimal use of staff and further optimal use of resources.

(J) Optimisation of employee head-count

The Company continues to optimise its head-count by ensuring that its staff numbers are always aligned with the number of projects and the size of its Business Units. In this context, specifically in the Operation and Maintenance Unit, the Company will hire staff from existing service providers if possible or transfer staff to new service providers in the event of termination of operation and maintenance contracts. (For more information, please refer to Section 4.8.2 D "**Operation and Maintenance Unit**" of this Prospectus).

(K) Taking advantage of the growth of the ICT sector

The value of ICT market in 2018G is 42 billion Saudi riyals. The Saudi ICT market is expected to grow at a CAGR of 4.6% from 2018G to 2021G and reach 48 billion Saudi Riyals by 2021G (Source: IDC). Given the Company's size and variety of services, it is well positioned to capitalize on this growth.

(L) Strengthening capacities and improving corporate governance

The Company aims to enhance its corporate governance capabilities through using human resource development to effectively support its growth and enhance the professional development of its employees. The Company also aims to enhance corporate governance through better policies, control procedures and risk management.

Competitive Advantages of the Company

The following sections set out some of the key factors which the Company believes makes it well positioned to benefit from favourable domestic, regional and international trends in the ICT industry. Some of these demand drivers are attributed to macro socio-economic factors, while others are linked to the Company's specific competitive advantages. Due to the size, quality and diversity of services, the Company believes it is well placed to take advantage of the growing economic trends and demands in the ICT sector.

(A) A comprehensive portfolio of ICT solutions and services

The Company is considered a comprehensive ICT services provider providing a full range of services, starting from basic hardware and software maintenance services to the largest system integration projects with complex components and .configuration Customers prefer obtaining an integrated "comprehensive" solution from a single provider that can be more efficient, cost-effective, and accountable to having to deal with different suppliers, which may increase the duration and cost of a project and reduce efficiency. The Company believes that its ability to provide an integrated solution to all needs of its ICT customers' can increase its customer base and establish long-term and ongoing contracts with its customers, all of which enhance its position in the market. Today, the Company maintains the highest level of reliability of its strategic suppliers across its Business Units, given its qualified, well-trained, and highly efficient employees providing solutions and services related to its products. More importantly, the Company has the skills required to incorporate and integrate different technologies from different suppliers to provide its customers with the most comprehensive and cost-effective solutions. This is a complex process that requires deep knowledge and skills, which the Company has. The Company has also the ability to develop niche products, such as the IT Service Management Platform it developed in collaboration with BMC. The Company believes that this comprehensive presentation is one of the main reasons why customers prefer the Company to meet their ICT needs.

(B) Effective project management

The Company is one of the most distinguished companies in a highly competitive and complex sector and implements a high level of project control to maximize the speed and quality of the services it provides to its customers. The Company has established a Project Management Office (PMO) and has implemented effective quality control processes and procedures. The PMO is responsible for overseeing the development of appropriate staff for each project as well as monitoring funding and billing for each project. The Company believes that this model will help achieve the highest standards of service delivery in order to meet and exceed customer expectations, while improving its resources in order to maximize returns (for more details, please refer to Section 4.9.3 ("**Project Management Office**")).

(C)Steady customer base

The Company has gained and retained a well-established customer base that generates recurring business for the Company in the public and private sectors. The Company's relationship with customers extends over 10 years. Some strategic and steady customers include: Al Imam University, Ministry of Municipal and Rural Affairs, Riyadh Municipality, Saudi Chemical Company, Arab National Bank and Al Rajhi Bank. As a sign of the Company's deep knowledge and understanding of its customers' business, many customers trust it to develop and plan their future IT strategies and investments. The Company has signed long-term supply, service, and support agreements with its major customers across its Business Units (for more information, please refer to Section 4.8.3 ("Customers")).

(D)Customer-First Approach

The Company considers that the quality of its services and products is the core benchmark for its reputation. Therefore, the Company strives to deliver the maximum level of quality and excellence to meet customer satisfaction. The Company considers that this uncompromising approach to quality as an integral part of its identity which has led to the Company being regarded as one of the most reliable ICT solutions providers in the Kingdom, as evidenced by the longstanding customer relationships and the long term contracts secured by the Company. The Company believes that maintaining the highest level of service will enhance its current reputation and position in the market, strengthen its relationships with existing customers and increase the prospects of attracting new customers as well as its expansion into new service lines.

(E) Established brand/corporate identity

The Company has worked hard to develop a clear brand identity to deliver the highest quality and secure services that are trusted by customers in the ICT sector. The Company also benefits from its strong and ongoing relationships with its ICT partners in its Business Units, including Oracle (Platinum Partner), Cisco (Gold Partner), HPE (Platinum Partner), Palo Alto (Diamond Partner), McAfee (Platinum Partner), Symantic (Gold Partner), Fire Eye (Gold Partner), Starlinks (Gold Partner), Microsoft (Gold Partner) and VM Wire (Premium Partner) (suppliers will rate the partnership on the basis of the following criteria: (1) the number of employees who have been trained and passed the tests of the supplier's technology, noting that there is a minimum level of staff and specialization for each level in the rating of the partnership; (2) the value of the business carried out with the supplier, where each level of partnership requires a minimum level of business; and (3) sometimes the supplier requests that the Company have a demo and trial system (Demo Kit) and others with good reputation and goodwill at the regional and global level (for further information, see Section 4.8.4 ("**Supplier Partnerships**")) of this Prospectus.

The Company is considered to be one of the leading providers of integrated ICT solutions in the Kingdom based on, among others factors, the size and scope of its business and the scale of its established and growing customer base.

The awards and credits granted to the Company in recent years are proof of the quality of the brand and its services. The Company believes that this unique brand identity will help it maintain its position in the market and enhance its business (for more information on some of the Company's recent awards, please refer to Section 4.8.7 ("**Awards**") of this Prospectus).

(F) Economies of scale and competitive pricing

The Company is renowned in the market for providing competitive prices for its services. Due to the volume and scale of the Company's business, it is able to negotiate better terms with key suppliers, allowing the Company to continue to offer competitive prices to its customers whilst at the same time maintaining healthy margins. In addition, the Company's relative financial strength, compared to its peers, enables the Company to undertake large-scale projects, spanning multiple service lines and technologies and over several years. For example, the Company achieved the highest rating from the Ministry of Municipality and Rural Affairs for service providers, which enables the Company to bid for large-scale government projects (for more information, please refer to Section 12 ("**Legal Information**")).

(G) Qualified and experienced staff

The Company has an internal regulatory culture that promotes business ethics. The Company believes that human capital is the most important asset. Over the years, it has benefited from the experience of many of its highly skilled employees. Thanks to the continuous efforts and expertise of its employees, the Company has been able to create a sustainable business model. The team consists of certified IT engineers, qualified communications engineers, pre-sales service engineers, and account managers, all of which enhance the Company's value and business spirit in all ICT specialties and services. The Company has maintained good relations with its employees, and there are no threatening or imminent disputes (for more information, please refer to Section 4.11 ("**Staff**") of this Prospectus).

(H) Local knowledge

One of the most important factors that contributed to the Company's growth is its deep knowledge and understanding of its client's business culture and working environment, whether in the public or private sector. This detailed knowledge and deep understanding enables the Company to deliver bespoke solutions to its customers, often by highly qualified and informed employees working directly with its customers. The suppliers also value the Company's deep local knowledge and understanding, allowing such suppliers to access to the Saudi market through the Company rather than establishing their presence in the Kingdom. This explains the well-established and mutually beneficial partnerships that the Company has fostered with its suppliers over time (for more information, please refer to Section 4.8.4 ("**Supplier Partnerships**")).

(I) Asset Light Model

Under its current business model, the Company markets, sells, customizes, integrates, and delivers after-sales services with regard to ICT products and services provided by third parties; the Company does not develop or own proprietary ICT products or services. This means that the Company's business model is not capital intensive. As of the first half of 2018G, the Company's total non-current assets amounted to SAR 10,9 million, equivalent to 1.2% of the total assets (SAR 914,8 million) for the same period.

The key advantage of keeping low capital costs is that it affords the Company flexibility to adapt to changes in the market (for more information, please refer to Section 4.8.8 ("**Future Projects**") of this Prospectus). As an additional benefit of this model, the Company does not take responsibility for customers' selection of software or configuration options. The Company is also not exposed to risks due to defects, obsolescence, or failure of the product as it is not a party to the end user license agreement ("**EULA**") with the customer. The EULA is concluded directly between the supplier and customers (for more information, please refer to Section 12 ("**Legal Information**") of this Prospectus for further information regarding the terms of contractual relations between the Company and suppliers on the one hand and suppliers and customers on the other.)

(J) Growth opportunities in the market

The Company believes that the ICT sector is expected to grow at a steady pace in the next few years driven by:

- Development and growth of the Saudi economy
- Emergence of ICTs in light of Vision 2030 and Vision Realization Programs
- Increased awareness of cybercrime against the background of large data penetration operations
- The need to align business with the latest technologies (such as automation, robots, cloud computing, and artificial intelligence)
- Lack of readily available qualified staff across the ICT value chain

The Company believes that these developments are expected to contribute to the growth of the ICT sector in the future and due to its size and diverse service offerings, the Company is well-positioned to capitalize on this growth.

Industry and Market Data

Saudi Arabia is the largest economy in the GCC, with a gross domestic product of SAR 2,575 billion in 2017G.

The Kingdom prides itself on providing high-speed internet access and high prevalence rates of mobile and smart phones. Emerging technologies such as cloud computing, analytics, and mobile computing are increasingly used by companies. It is worth mentioning that government initiatives such as Neom, the smart city of Yanbu, e-governance programs, and other digital transformation programs in all areas are the main driver of increased technology spending.

IT spending in Saudi Arabia is expected to reach SAR 48 billion by 2021G, an increase of CAGR of 4.6% compared to 2017G in which spending was SAR 40,1 billion. IT services accounted for 33% of the total spending, while the hardware market accounted for 56% and the software markets accounted for 10%.

The Company's Summary of Financial Information and KPIs

The financial information set forth below should be read together with the audited consolidated financial statements for the years ended 31 December 2015G, 2016G, and 2017G, and notes thereto. These financial statements are included in Section 19 ("**Financial Statements and Accountants Report**").

Income Statement

The following table presents the Company's income statement for the financial years ended 31 December 2015G, 2016G, and 2017G.

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compound annual growth rate
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Sales						
Solutions	96,102	268,066	321,099	178.9%	19.8%	82.8%
E-services	66,398	93,594	134,903	41.0%	44.1%	42.5%
Operation and Maintenance	71,997	96,568	130,351	34.1%	35.0%	34.6%
Networks	98,961	72,143	94,890	(27.1%)	31.5%	(2.1%)
Systems	300,255	53,373	84,011	(82.2%)	57.4%	(47.1%)
Information Security Systems	83,092	70,280	77,546	(15.4%)	10.3%	(3.4%)
Total sales	**716,805**	**654,024**	**842,800**	**(8.8%)**	**28.9%**	**8.4%**
Cost of sales	(619,935)	(555,561)	(704,470)	(10.4%)	26.8%	6.6%
Gross profit	**96,871**	**98,463**	**138,330**	**1.6%**	**40.5%**	**19.5%**
General and administrative expenses	(30,640)	(30,487)	(32,047)	(0.5%)	5.1%	2.3%
Selling and distribution expenses	(12,387)	(12,531)	(11,800)	1.2%	(5.8%)	(2.4%)
Income from main operations	**53,844**	**55,445**	**94,483**	**3.0%**	**70.4%**	**32.5%**
Finance charges	(9,081)	(14,461)	(12,262)	59.2%	(15.2%)	16.2%
Details of other revenue	634	1,173	1,585	84.9%	35.1%	58.1%
Income before calculating the company's share in the results of associates and Zakat	**45,397**	**42,157**	**83,806**	**(7.1%)**	**98.8%**	**35.9%**
Share in results of associates	392	(752)	(525)	(291.8%)	(30.2%)	N/A
Income before Zakat	**45,789**	**41,405**	**83,281**	**(9.6%)**	**101.1%**	**34.9%**
Zakat	(4,882)	(5,321)	(6,473)	9.0%	21.6%	15.1%
Net income for the year	**40,907**	**36,084**	**76,808**	**(11.8%)**	**112.9%**	**37.0%**

Source: Audited Financial Statements for the years ended 31 December 2015G, 2016G, and 2017G

The following table presents the Company's income statement for the six-month period ended 30 June 2017G and 2018G

SAR thousand	Interim period ended 30 June		Increase / (decrease)
	2017G Unaudited rate	2018G Audited	
Sales			
Solutions	133,161	99,223	(25.5%)
E-services	15,292	45,666	198.6%
Operation and Maintenance	42,494	62,402	46.9%
Networks	43,238	47,957	10.9%
Systems	10,984	79,315	N/A
Information Security Systems	8,784	60,958	N/A
Total Revenues	**253,952**	**395,520**	**55.7%**
Cost of sales	(225,894)	(349,150)	54.6%

SAR thousand	Interim period ended 30 June		Increase / (decrease)
	2017G Unaudited rate	2018G Audited	
Gross profit	**28,058**	**46,370**	**65.3%**
Sales and marketing expenses	(6,142)	(5,011)	(18.4%)
General and administrative expenses	(19,604)	(17,218)	(12.2%)
Operating profits	**2,312**	**24,141**	**N/A**
Share in results of associates' loss	(1,624)	(1,862)	14.7%
Finance charges	(7,907)	(9,109)	15.2%
Finance income	370	1,600	332.3%
Other revenues	411	167	(59.3%)
Profit (loss) before Zakat	**(6,437)**	**14,938**	**(332.1%)**
Zakat	(2,427)	(3,123)	28.7%
Net profit (loss) for the period	**(8,864)**	**11,815**	**(233.3%)**

Source: The Company's initial audited financial statements for the interim period ended 30 June 2018G

Statement of financial position

The following table presents the Company's statement of financial position for the financial years ended 31 December 2015G, 2016G, and 2017G.

SAR thousand	Financial year ended 31 December			Increase/ (Decrease)	CAGR	
	2015G Audited	2018G Audited	2018G Audited	December 2016G	December 2017G	2015G-2017G
Assets						
Current assets	532,473	538,583	694,623	1.1%	29.0%	14.2%
Non-current assets	5,278	4,285	12,199	(18.8%)	184.7%	52.0%
Total assets	**537,751**	**542,869**	**706,821**	**1.0%**	**30.2%**	**14.6%**
Liabilities and shareholders' equity						
Current liabilities	366,511	360,169	497,465	(1.7%)	38.1%	16.5%
Non-current liabilities	10,912	11,908	12,899	9.1%	8.3%	8.7%
Total liabilities	**377,423**	**372,078**	**510,364**	**(1.4%)**	**37.2%**	**16.3%**
Shareholders' equity	160,328	170,791	196,458	6.5%	15.0%	10.7%
Total liabilities and equity	**537,751**	**542,869**	**706,821**	**1.0%**	**30.2%**	**14.6%**

Source: Audited Financial Statements for the years ended 31 December 2015G, 2016G, and 2017G

The following table presents the summary of the Company's financial position for the year ened 31 December 2017G and for the six-month period ended 30 June 2018G

SAR thousand	Period ended		Increase/(Decrease)
	31 Dec 2017G Unaudited rate	30 June 2018G Audited	
Assets			
Current Assets	732,175	853,460	16.6%
Non-current assets	50,648	48,981	(3.3%)
Total assets	**782,823**	**902,441**	**15.3%**
Liabilities and shareholders' equity			
Current Liabilities	485,771	629,068	29.5%
Non-current liabilities	138,631	113,242	(18.3%)
Total liabilities	**624,403**	**742,309**	**18.9%**
Shareholders' equity	158,420	160,132	1.1%
Total liabilities & equity	**782,823**	**902,441**	**15.3%**

Source: The Company's initial audited financial statements for the interim period ended 30 June 2018G

Cash Flow Statement

The following table presents the Company's statement of cash flows for the financial years ended 31 December 2015G, 2016G and 2017G.

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compound annual growth rate
	2015G Audited	2018G Audited	2018G Audited	December 2016G	December 2017G	2015G-2017G
Net cash from operating activities	(73,092)	85,217	15,413	(216.6%)	(81.9%)	N/A
Net cash used in investing activities	(850)	(412)	(9,064)	(51.5%)	N/A	226.5%
Net cash used in financing activities	40,355	(78,680)	(1,221)	(295.0%)	(98.4%)	N/A
Net cash flow for the period	**(33,587)**	**6,125**	**5,128**	**(118.2%)**	**(16.3%)**	**N/A**
Cash and its equivalents at the beginning of the year	78,149	44,561	50,687	(43.0%)	13.7%	(19.5%)
Cash and cash equivalents at the end of the year	**44,561**	**50,687**	**55,814**	**13.7%**	**10.1%**	**11.9%**

Source: Audited Financial Statements for the years ended 31 December 2015G, 2016G, and 2017G

The following table presents the summary of the Company's statement of cash flows for the six-month period ended 30 June 2017G and 2018G

SAR thousand	Interim period ended 30 June		Increase/(Decrease)
	2017G Unaudited rate	2018G Audited	June 2018G
Net cash used in operating activities	(4,357)	(17,208)	295.0%
Net cash used in investing activities	(335)	(941)	180.7%
Net cash from / (used in) financing activities	9,591	(9,506)	(199.1%)
Net cash flow for the period	**4,899**	**(27,654)**	**(664.5%)**
Cash and its equivalents at the beginning of the year	50,687	55,814	10.1%
Cash and cash equivalents at the end of the year	**55,586**	**28,160**	**(49.3%)**

Source: The Company's initial audited financial statements for the interim period ended 30 June 2018G

Key Performance Indicators

	Financial year ended 31 December			31 December 2017G	30 June 2018G
	2015G	2016G	2017G		
Key Performance Indicators					
Gross margin (%)	13.5%	15.1%	16.4%	15.9%	11.7%
Net profit margin (%)	5.7%	5.5%	9.1%	6.8%	3.0%
Return on assets (%)	7.6%	6.6%	10.9%	6.5%	2.6%
Return on equity (%)*	25.5%	21.1%	39.1%	32.2%	14.8%
Trading ratio	1.4	1.5	1.4	1.5	1.4
Debt to equity	1.3	0.9	0.9	1.1	1.3

Source: The Company

**the interim period ended 30 June 2018G has been adjusted for the purpose of comparison with full year results of 2017G.*

Summary of risk factors

Potential investors should carefully consider all the information in this Prospectus before investing in Offering Shares, in particular the risk factors listed below, as detailed in Section 2 ("**Risk Factors**").

Risks related to the operations and activities

- Contractual terms with suppliers
- Direct Sales by the Company's suppliers
- Increase in prices by key suppliers
- Fluctuation in the profit margin ratio in the Business Services Management Unit
- Failure by the Company to keep up with technological developments
- Failure by the Company to adapt to customer requirements
- Risks related to contracts with government parties
- Risks related to changes in income ratios due to termination, postponement, or reduction of scope of work
- Risks related to dependence on government parties
- Risks related to the inability of the Company to maintain its employee headcount
- Risks related to financing and credit facilities
  - Risks related to existing financing arrangements
  - Risks related to the ability to provide capital requirements
  - Risks related to personal securities and guarantees provided by the founding Shareholders
- Risks related to decline of the Company's operating services
- The Company's reliance on suppliers, service providers, and subcontractors
- Risks related to malfunctions in the Company's facilities
- Risks related to IT dependence
- Risks related to failure to implement future business strategies
- Risks related to failure to provide sufficient insurance coverage for operational risks
- Risks related to the Company's inability to obtain and renew the necessary licenses, certificates, permits, and approvals
- Risks related to protecting the Company's reputation and brand
- Risks related to the protection of the Company's trade name
- Risks related to failure to meet customer needs
- Risks related to the increase in government fees applicable to non-Saudi employees
- Risks of dependence on key personnel
- Risks related to employee misconduct and error
- Risks related to claims and litigation
- Risks related to the prices of the Company's products and services
  - Competition among ICT service providers
  - Operating costs
- Risks related to higher doubtful debts due by major customers and government entities
- Risks related to newly implemented corporate governance rules
- Risks related to newly formed board committees
- Lack of experience in managing a publicly listed company
- Risks related to tax, Zakat, and potential withholding tax
- Credit risks
- Risks related to guarantees provided to associates

Risks related to the market and regulatory environment

- Risks related to changes in the regulatory environment
- Risks related to competition
- Risks related to the Competition Law

- Risks related to the Company's application of International Accounting Standards
- Risks related to non-compliance with Saudization requirements
- Risks related to the Kingdom and the global economy
- Risks of non-compliance with the new Companies Law
- Risks related to increased costs
- Risks related to foreign exchange rates
- Risks related to adverse changes in interest rates
- Risks related to the adoption of VAT and its impact on the Company
- Risks related to natural disasters
- Political and security risks in region and associated impact on company's operations

Risks relating to the Offer Shares

- Effective control of Selling Shareholders
- Absence of prior market for the Company's shares
- Risks of potential fluctuations in share price
- Risks of dividend distribution
- Risks related to selling a large number of shares in the market
- Risks related to issuance of additional shares in the market following expiry of Lock-up Period

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Figures

1. Terms and Definitions

Underwriting Agreement	The underwriting agreement to be entered into between the Company, the Selling Shareholders, and the Underwriter in connection with the Offering.
Management	The management of the Company.
Senior Management	The officers of the Company specified in Section 5 ("Organizational Structure and Governance of the Company") of this Prospectus.
Listing	The admission of the Company's Shares to trading on the Exchange in accordance with the Listing Rules.
Application Form	The application form used by the Participating Entities to register their applications in the Offer Shares during the period of the Book Building Process. This term includes (as appropriate) the supplementary application form when changing the price range.
Shares	Sixteen million (16,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share.
Offer Shares	Four million eight hundred thousand (4,800,000) ordinary shares representing 30% of the Company's capital.
Authorized Persons	Persons authorized by the Capital Market Authority to manage securities.
Secretary	Secretary of the Board of Directors
Kingdom's Vision Realization Programs	The twelve strategic programs developed by the government to achieve Vision 2030.
Instructions on Book Building and the allocation of shares in the initial IPOs	Instructions on Book Building and the allocation of shares in the initial IPOs issued pursuant to the CMA Board's Decision No. 2-94-2016 dated 15/10/1437H (corresponding to 20/07/2016G) and its amendments issued pursuant to the CMA Board's Decision No. 4-4-2018 dated 23/04/1439H (corresponding to 10/01/2018G).
Official Gazette	Um Al Qura, the official Gazette of the Government of Saudi Arabia.
General Assembly	An Extraordinary General Assembly and/or an Ordinary General Assembly, and "General Assembly" shall mean any General Assembly of the Company
Ordinary General Assembly	Shareholders' Ordinary General Assembly convened in accordance with the Company's Articles of Association.
Extraordinary General Assembly	An Extraordinary General Assembly of the Shareholders convened in accordance with the Bylaw.
The Public	Persons not listed below: 1. Affiliates of the issuer. 2. Major shareholders of the issuer. 3. Directors and senior executives of the issuer. 4. Directors and senior executives of the affiliates of the issuer. 5. Directors and senior executives of the major shareholders of the Issuer. 6. Any relatives of the persons referred to in (1, 2, 3, 4, or 5) above. 7. Any company controlled by any person referred to in (1, 2, 3, 4, 5, or 6) above. 8. Persons working together and, collectively, holding (5%) or more of the share class to be listed.
Receiving Entities	The receiving entities whose names are mentioned on page (v) of this Prospectus.
Participating Entities	Entities associated with the Book Building Process from among the Participating Parties.
The Government	The Government of the Kingdom of Saudi Arabia.
Vision 2030	The national strategic economic program which aims to reduce dependence on the oil and petrochemicals industry, diversify the Saudi economy, and develop public services.
RIBOR	Riyadh Interbank Offered Rate
SAR or Saudi Riyals	Saudi Riyal, the official currency of the Kingdom.
Chairman	Chairman of the Board of Directors.
Offer Price	SAR (45) per share.
Exchange or Tadawul	The Saudi Stock Exchange ("Tadawul")

Control	The ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively, or with a relative or affiliate, through any of the following: Holding 30% or more of the voting rights in the Company. The right to appoint 30% or more of the administrative staff. The word "control" shall be construed accordingly.
Person	A natural individual or corporate entity.
Associates	The companies described in Section 12.4 ("**Associates**") of this Prospectus.
Company, MIS or Al Moammar Information Systems Company	Al Moammar Information Systems Company.
Public joint stock company	Listed joint stock company
Net Proceeds	The proceeds of the Offering after deduction of all related costs.
Offering	The initial public offering of subscription shares.
Related Party or Parties	In accordance with the list of terms used in the CMA's regulations and rules issued by the CMA Board pursuant to Decision No. 04-11-2004 dated 20/08/1425H (corresponding to 04/10/2004G), as amended by the CMA Board's Decision No. 1-7-2018 dated 01/05/1439H (corresponding to 18/01/2018G), the term "related party" or "related parties" includes in this Prospectus: a. Affiliates of the Issuer b. Major shareholders of the Issuer c. Directors and senior executives of the Issuer d. Directors and senior executives of the Issuer's affiliates e. Directors and senior executives of the major shareholders of the Issuer Any relatives of the persons referred to in (a), (b), (c), (d) and (e) above. f. Any company controlled by any person referred to in (a), (b), (c), (d), (e) and (f) above. For the purposes of Paragraph (g), control means the ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively, or with a relative or affiliate, through any of the following: (a) holding 30% or more of the voting rights in the Company (b) the right to appoint 30% or more of the administrative staff and the word "control" shall be construed accordingly.
The Articles of Association	Articles of Association of the Company.
Lock-up Period	The period during which the Major Shareholders shall be subject to a lock-up period of six(6) months from the date on which trading of the Offer Shares commences on the Exchange. During such a period, the Major Shareholders may not dispose of any of their Shares.
Offering Period	The Offering Period will commence on Sunday 10/07/1440H (corresponding to 17/03/2019G) and will remain open for a period of five (5) days, including and up to the last date of the subscription Thursday 14/07/1440H (corresponding to 21/03/2019G).
Participating Entities	The entities that are entitled to participate in the Book Building Process are: 1. Public and private funds investing in the securities listed in the Saudi Stock Exchange if the same is permitted by the terms and conditions of the fund, subject to the provisions and restrictions provided for in the Investment Funds Regulation and the Instructions on Book Building. 2. Persons authorized by CMA to deal in securities as a principle, subject to the provisions of the Financial Adequacy Rules when submitting the Application Form. 3. Customers of a person authorized by CMA to carry out management works in accordance with the provisions and restrictions stipulated in the Instructions on Book Building. 4. Legal persons who may open an investment account in the Kingdom and an account with the Depository Centre. With the exception of non-resident foreign investors who are not qualified foreign investors in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities, in accordance with the Authority's Circular No. (6/05158) dated 11/08/1435H (corresponding to 06/09/2014G) in accordance with the CMA Board's No. Decision (9-28-2014) dated 20/07/1435H (corresponding to 19/05/2014G). 5. Government agencies and any international body recognized by the Authority, the Exchange, or another financial market recognized by the Authority or the Depository Centre. 6. Government-owned companies, directly or through a private portfolio manager. 7. Gulf companies and GCC funds if the terms and conditions of the fund allow them to do so. 8. Qualified foreign investors. 9. A legal person which is the final beneficiary in a SWAP agreement entered into with a licensed person, in accordance with the terms and conditions of SWAP agreements.
Public sector	The government and semi-government sectors

The Listing Rules	The Listing Rules issued by the Board of the Capital Market Authority pursuant to its Decision No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G).
The Rules for Qualified Foreign Financial Institutions Investment in Listed Securities	The Rules for Qualified Foreign Financial Institutions Investment in Listed Securities issued by the Board of Directors of the Capital Market Authority in accordance with Decision No. 1-42-2015 dated 15/07/1436H (corresponding to 04/05/2015G) under the Capital Market Law promulgated by Royal Decree No. (M/30) dated 28/06/1424H (corresponding to 31/07/2003G), as amended by Decision No. 1-3-2018 dated 22/04/1439H (corresponding to 09/01/2018G) issued by the Authority's Board of Directors.
ROSCOs	The Rules on the Offer of Securities and Continuing Obligations issued by the CMA Board pursuant to its Decision No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) as amended by the CMA Board's Decision No. 3-45-2018 dated 07/08/1439H (corresponding to 23/04/2018G).
Major Shareholders	Any person who owns 5% or more of the Company's share capital.
Corporate Governance Regulations	The Corporate Governance Regulations issued by the CMA Board in accordance with Decision No. 8-6-2017 dated 16/05/1438H (corresponding to 13/02/2017G) (according to the Companies Law issued by Royal Decree No. M/3 dated 28/01/1437H (corresponding to 10/11/2015G)), as amended by the Authority's Decision No. 3-45-2018 dated 07/08/1439H (corresponding to 23/04/2018G).
Underwriter	Saudi Fransi Capital.
GCC	Gulf Cooperation Council
The Board or Board of Directors	The board of directors of the Company.
Chartered Accountant	Ernst & Young.
Lead Manager / Bookrunner	Saudi Fransi Capital.
Directors or Board Members	The Company's Board of Directors appointed by the General Assembly of the Company whose names appear in Section 5 ("Organizational Structure of the Company") of this Prospectus.
Shareholders	Registered shareholders at any time.
Selling Shareholders	The Company's Shareholders whose names and shareholding percentages are listed in Table (4-10) "Direct Ownership Structure before and after the Offering") and who will sell part of their shares in the Offering.
Gulf investor with a legal personality	Any company with a majority of its capital being owned by citizens of the GCC States or its governments who have the nationality of a GCC State in accordance with the definition set out in the Resolution of the Supreme Council of the Gulf Cooperation Council issued in its fifteenth session and approved by Council of Ministers Resolution No. (16) dated 20/01/1418H, as well as the GCC funds established in a Gulf country and whose units are publicly offered to investors in those countries, with the majority of their capitals being owned by the citizens of the GCC States or their governments.
A Gulf investor with a natural personality	Any natural person who holds the nationality of a GCC State.
Qualified Foreign Investors	A qualified foreign investor in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities. The qualification application is submitted to a licensed person to evaluate and accept the application in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities.
Market Study Consultant	International Data Corporation (**IDC**)
Financial Advisor	Saudi Fransi Capital.
Advisors	The Company's advisors in relation to the Offering whose names appear on pages (iv) of this Prospectus.
Source	Al Moammar Information Systems Company.
Cumulative Annual Growth Rate	The measure of growth over multiple time period.
Investors	Includes the Participating Entities and Individual Investors.
Individual Investors	Saudi Arabian natural persons, including the Saudi divorced or widowed woman with minor children from a non-Saudi husband, where she shall have the right to subscribe for Offer Shares in their name(s) for her benefit, provided she submits proof of her marital status and motherhood, as well as Gulf investors who are natural persons.
The Kingdom	The Kingdom of Saudi Arabia and Saudi Arabia.

Prospectus	This document which was prepared by the Company in relation to the Offering.
Articles of Association	The Company's Articles of Association approved by the General Assembly of the Company.
Companies Law	The Companies Law promulgated by Royal Decree No. M/3 dated 28/01/1437H (corresponding to 10/11/2015G) as amended.
Labor Law	The Saudi Labor Law promulgated by Royal Decree No. M/51 dated 23/08/1426H as amended.
Competition Law	The Competition Law promulgated by Royal Decree No. M/3 dated 04/05/1425H (corresponding to 21/06/2004G) as amended.
Capital Market Law	The Capital Market Law promulgated by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/07/2003G) as amended.
Subscription Application Form	The Subscription Application Form that individual Investors and Participating Entities (as applicable) must fill in order to subscribe to the Offer Shares.
SOCPA	Saudi Organization for Certified Public Accountants (SOCPA)
International Accounting Standards (IAS)	International Accounting Standards issued by the International Accounting Standards Board (IASB). The International Accounting Standards adopted by the Saudi Organization for Certified Public Accountants (SOCPA) are international accounting standards, as well as certain requirements and disclosures that have been added to certain standards by SOCPA, as well as other standards and issuances. These standards and issuances include those approved by SOCPA in matters not covered by international accounting standards, such as Zakat.
The General Authority of Zakat and Tax	The General Authority for Zakat and Income Tax (formerly Department of Zakat and Income Tax)
Authority or CMA	The Capital Market Authority of the Kingdom.
Business Units	The six Business Units operated by the Company include: 1. Technology Solutions Unit 2. System Unit 3. Business Services Management Unit 4. Operation and Maintenance Unit 5. Information Security Unit 6. Networking Unit
Business Services Management Unit	Please see the definition of the Business Services Management Unit.
Operations & Maintenance Unit	It is one of the six Business Units operated by the Company as described in Section 4.8 ("**Company's Business**") of this Prospectus.
Networking Unit	It is one of the six Business Units operated by the Company as described in Section 4.8 ("**Company's Business**") of this Prospectus.
Information Security Unit	Is one of the six Business Units operated by the Company as described in Section 4.8 ("**Company's Business**") of this Prospectus.
System Unit	Is one of the six Business Units operated by the Company as described in Section 4.8 ("**Company's Business**") of this Prospectus.
Solutions Unit	Is one of the six Business Units operated by the Company as described in Section 4.8 ("**Company's Business**") of this Prospectus.
Ministry of Commerce and Investment	Ministry of Commerce and Investment.
Business day	Any day on which banks in Saudi Arabia are open for normal banking business.

2. Risk Factors

Prospective investors should carefully consider the following risk factors, and all other information contained in this Prospectus, prior to making an investment decision with respect to the Offer Shares. However, the risk factors described below may not include all risks that the Company may encounter, which means that there may be additional factors that are currently unknown to the Company, or currently considered by the Company to be immaterial, which may materially and adversely affect the Company's operations, financial condition, results of operations, and future prospects, if they occur or materialize, that may lead to lower Share Price and could weaken the Company's ability to distribute dividends to Shareholders, or the investors may lose all or part of their investments in Shares.

The Company's Directors also confirm that, to the best of their knowledge and belief, there are no other material risks as of the date of this Prospectus besides those mentioned in this section that may affect investors' decisions to invest in the Offer Shares. All prospective investors willing to subscribe to the Offer Shares should assess the risks related to the Company's shares, the Offering in general, and the economic and regulatory environment in which the Company operates.

An investment in the Offer Shares is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which might result from such an investment. Prospective investors who have doubts about which actions to take should refer to a financial adviser duly licensed by the CMA for advice about investing in the Offer Shares.

The risks stated below are not arranged in an order based on their importance and their expected impact on the Company.

2.1 Risks related to the Company's operations and activities

2.1.1 Contractual terms with suppliers

All of the supplier agreements that the Company has in place are on a non-exclusive basis meaning that the suppliers are free to enter into agreements with the Company's competitors with respect to the same products and services. In addition, suppliers may terminate certain agreements without cause (for more details, please refer to Section 12 ("Legal Information") of this Prospectus). If any of the Company's key suppliers were to enter into an exclusive agreement with a competitor, or if the Company's agreement with the supplier is terminated or not renewed, there is no guarantee that the Company will be able to enter into alternative contracts with other suppliers under similar terms and conditions. This will have a material adverse effect on the products and services offered by the Company and will have a material adverse effect the Company's business, results of operations, financial position, and future prospects.

2.1.2 Direct Sales by the Company's suppliers

The Company's business is dependent on the marketing and sale of products and services, including customized services (which ensure that suppliers' products are adjusted to suit the needs and business of the Company's customers) and post-sale services provided to third parties. As of the date of this Prospectus, direct sales between the Company's suppliers (manufacturers) and end users in the Kingdom are limited or non-existent, and therefore suppliers rely on local distributors (such as the Company) to market, sell, and distribute their products and services in the Kingdom. If one of the Company's major suppliers decides to expand their operations in the Kingdom by directly selling or providing their services to end-users, the Company's market share may decline, and this will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2.1.3 Increase in prices by key suppliers

The Company is able to obtain competitive prices from its major suppliers because it has been classified as a privileged partner given that it has met qualitative and quantitative standards over the past years (for more details, please refer to Section 4.8.4 ("Supplier Partnerships") of this Prospectus). These benefits are subject to periodic evaluation (usually conducted on an annual basis). The cost of the Company's operations would be materially affected if the prices of the services and products offered to the Company were increased by any of its major suppliers, including through, for example, an increase due to the removal or reduction of benefits offered to the Company. The Company would then have to incur these increases if it failed to raise the prices of products and services provided to its customers, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2.1.4 Fluctuation in the profit margin ratio in the Business Services Management Unit

The revenues of the Company's Business Services Management Unit constitute 9.3%, 14.3%, 16.0%, 6.0%, and 11.5% out of the total revenues of the Company during the years 2015G, 2016G, and 2017G, and the first half of 2017G and 2018G respectively, while the profit margin of the same period accounted for 21.0%, 33.3%, 41.9%, 18.0%, and 25.3%respectively out of the Company's total profits for the same periods. Despite the decrease in the gross profit margin of the Company's Business Services Management Unit during the first half of 2018G (compared to the same period of 2017G), revenues of these operations increased by 198.6% during the first half of 2018G (for further details, see Section 6 ("Management Discussion & Analysis of Financial Condition & Results of Operations") of this Prospectus). The Company does not guarantee its ability to maintain high margin ratios in Business Services Management Unit or to increase sufficient margin ratios in its other business to cover any future changes in the percentage of profits of its electronic services which may affect the Company's gross margin. This will have a material adverse effect on the Company's business, financial position, results of operations and profits.

2.1.5 Failure by the Company to keep up with technological developments

The ICT industry is characterized by rapid technological changes, evolving industry standards and the introduction of new products and services that could result in product obsolescence and short product cycles. The Company's future success will depend on its ability to introduce these developments and enhance its existing technical and professional portfolio or obtain new services to meet customer needs in a timely manner and for a reasonable cost. There is no guarantee that the Company will succeed in delivering or responding to such advances in a timely manner and for a reasonable cost. Even if the Company is able to respond to developments, the Company does not guarantee the success of services or technologies provided suppliers in the sector. The Company may also be unsuccessful in providing new or upgraded services due insufficient customer demand for such services or due to the Company's inability to provide or update these new services in an effective manner (see Section 4.8.8 ("Future Projects") of this Prospectus for more information).

The Company's failure to meet the evolving requirements of the ICT industry, especially with respect to emerging technologies or technological obsolescence, will have a material adverse effect on the Company's business, financial position and results of operations.

2.1.6 Failure by the Company to adapt to customer requirements

The ICT industry is sensitive to changes in customer preferences and market trends. Any change in the preferences or requirements of customers could result in reduced effectiveness or demand for the Company's products and services. For example, any concerns about fraud, information privacy, or other similar issues may reduce customer and business demand for products or services currently offered by the Company or which it may offer in the future (see Section 4.8.8 ("Future Projects") of this Prospectus for more information).

The Company may also be unable to adapt to changes in customer preferences in a timely or cost-effective manner. Moreover, the Company may not be able to provide new products that satisfy customer needs through its suppliers and / or the Company's competitors may provide better options. Any change in customer preferences may result in a decline in their demand on the products and services provided by the Company. This will have a material adverse effect on the Company's business, financial position and results of operations.

2.1.7 Risks related to contracts with government parties

The Company offers ICT solutions to a number of governmental and semi-governmental agencies. Other ICT companies also subcontract government projects to the Company (see Section 4.8.3 ("Customers") of this Prospectus for more information). The percentage of governmental and semi-governmental contracts reached 65.8%, 58.5%, 62.2%, 56.1% and 68.0% of total sales during the years 2015G, 2016G and 2017G, and the first half of 2017G and 2018G, respectively. Most of the risk associated with governmental contracts is inherent in the government contracting process and include delays in obtaining internal approvals for contracts, political, and economic factors that may affect the number, value and terms of contracts awarded by government agencies. Government contracts also contain more stringent terms than other commercial contracts and it is difficult to negotiate the terms and conditions of government contracts concluded by the Company, compared to other commercial contracts. (See Section 12 ("Legal Information") of this Prospectus for further information). Thus, this will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2.1.8 Risks related to changes in income ratios due to termination, postponement or reduction of scope of work

Contracts and purchase orders entered into between the Company and its customers include terms and conditions relating to the termination, suspension/termination or reduction of the scope of the project at the option of the customer. If a customer decides to cancel, postpone or reduce the scope of a project, this will adversely affect the project's revenues and cash flows. In the event that such the contract or purchase order for a material project such terms and conditions, this could have a material adverse effect on the Company's business, financial position and results of operations.

2.1.9 Risks related to dependence on government parties

The Company's business and profits depend largely on the services it provides to its customers in general and the services it provides to government and semi-governmental entities in particular. The percentage of the Company's sales to governmental and semi-governmental entities (which ministries, government agencies, companies owned directly or indirectly by the government, or companies controlled by the government through ownership or ability to appoint directors) to its total sales during 2015G, 2016G and 2017G and the first half of 2017G and 2018G reached 65.8%, 58.5%, 62.2%, 56.1% and 68.0% respectively. In the event that the Company is unable to maintain good and stable relations with its public sector customers for any reason, this will have a material adverse effect on the results of its operations, which will cause a decrease or fluctuation in sales and .profit margins This will have a material adverse effect on the Company's future performance, results, prospects, financial position, and share price. Issues that materially and adversely affect Company's revenues from such customers include:

- a- the Company's inability to renew its contracts with the customer upon expiration of the contract, or the customers' desire not renew the same;
- b- amending the terms of the contract in a manner that is not in the financial interest of the Company;
- c- the Company's inability to comply with the provisions of certain contracts, resulting in the termination of that contract or the amendment of its provisions; and
- d- termination or withdrawal of the contract upon the request of the customers.

(See Section 4.8.3 ("**Customers**") of this Prospectus for further information).

2.1.10 Risks related to the inability of the Company to maintain its employee headcount

The Company relies on its employees to provide services to its customers. If the Company cannot staff projects appropriately, the Company may not be able to complete its projects within the timeframe or specifications of the customer. As for O&M projects, the Company's failure to recruit staff from an existing service provider or external sources may result in delayed project implementation. Moreover, if the Company was unable to terminate or transfer its staff upon the completion of a project, or transfer such staff to the new service provider, the Company may be left with a surplus of employees, which will increase its operating costs and affect its profitability This would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2.1.11 Risks related to financing and credit facilities

(A)Risks related to existing financing arrangements

The Company has entered into a number of short-term loans with various local banks to meet its working capital requirements. The short-term loans amounted to SAR 215,2 million, SAR 162,2 million, SAR 179,1 million, SAR 213,1 million during 2015G, 2016G, and 2017G, and the first half of 2018G respectively (see Section 6 ("**Management Discussion & Analysis of Financial Condition & Results of Operations**") of this Prospectus for further information).

In some of the facility contracts entered into by the Company, the lenders are entitled, at their sole discretion, to terminate or cancel such facilities without the prior consent of the Company. In the event that any lender decides to cancel or terminate the facilities granted to the Company, the creditor may request immediate payment of all due amounts, which will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

In addition, some of the Company's financing agreements include undertakings requiring the Company to maintain certain percentages of its assets, working capital, liabilities, and indebtedness, which may limit the Company's ability to distribute dividends to shareholders. Some financing agreements also contain commitments that restrict the Company's ability to obtain additional financing, issue guarantees, mortgage any of its properties or sell them in any way without the prior consent of the relevant lender. (For more details on undertakings of financing agreements, please refer to Section 12 ("**Legal Information**") of this Prospectus)

The Company has not complied with certain undertakings in the financing agreements with Alawwal Bank, Banque Saudi Fransi, NBK, Saudi Investment Bank, SABB, and GIB. The agreements with Alawwal Bank, Banque Saudi Fransi, and SABB grant the financing party the right to accelerate payment of the amounts due, modify the terms or conditions of the facilities, or take any other steps to preserve the rights of the financier (including collection of any collateral provided by the Company). There is no guarantee that the banks will not exercise these rights. There is no assurance that the Company will be able to obtain sufficient alternative sources of financing for repayment of such a debt. Any of these factors will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

The financing agreements concluded between the Company, NBK, and Saudi Investment Bank have expired and are in the process of being renewed, but the Company continues to use the facilities granted under those agreement. There is no guarantee that the Company will be able to obtain adequate alternative sources of financing if it fails to renew such agreements.

(B) Risks related to the ability to provide capital requirements

With respect to the Company's operations, the Company relies on its working capital, financial position, results of operation, and cash flows, as well as external financing from commercial banks. The Company's ability to obtain loans and facilities from various lenders at lower costs or under acceptable terms depends on its future financial position, global economic conditions, financial market conditions, interest rates, credit availability from banks or third-party lenders, and lenders' trust in the Company. The Company may be unable to obtain sufficient or adequate financing in the future in order to finance its growth and implement its expansion plans, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

(C) Risks related to personal securities and guarantees provided by the founding Shareholders

The Company has entered into agreements with several domestic banks. It has corresponded with the banks with which it is engaged in facility agreements to approve the Offering of the Company's Shares for public subscription and to cancel the personal securities and guarantees provided by Khaled Abdullah Ibrahim Al Moammar and Ibrahim Abdullah Ibrahim Al Moammar as collateral for repayment of the facilities due thereto. The value of the personal guarantees provided by the selling shareholders as of 30/06/2018G amounted to SAR 885,888,825. As for the cancellation of the personal securities and guarantees provided by Khaled Abdullah Ibrahim Al Moammar and Ibrahim Abdullah Ibrahim Al Moammar, some of the financiers have decided to consider the same upon completion of offering of the Company's shares for public subscription. (For more details, please refer to Section 12 ("Legal Information") of this Prospectus). These banks may require additional guarantees in exchange for cancellation of the guarantees. However, the Company may not be able to provide such guarantees, which could result in an increase in the cost of financing required by the Company. Consequently, this will have a material adverse effect on the Company's operations, results of operations, financial position, and future prospects.

2.1.12 Risks related to decline of the Company's operating services

The Company's ability to retain its existing customers and gain new customers depends on its ability to provide efficient and accurate services with maintain high standards of operation There is no guarantee that the Company will be able to maintain these standards in the future. The Company's operations may suffer if it associated with a hacking incident, delayed project completion, data breaches, or other loss or damage resulting from the software or hardware. This will have a significant impact on the scope of the Company's business, especially if it causes a significant reduction in the volume and number of customers of the Company or impacts Company's ability to attract new customers. This will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2.1.13 Company reliance on suppliers, service providers and subcontractors

In order to operate and manage its business, the Company relies on products and services provided by third parties from suppliers and subcontractors. The total cost of sale of the Company's top five suppliers during 2015G, 2016G, and 2017G, and the first half of 2017G and 2018G was 64.4%, 67.2%, 68.2%, 75.4% and 62.3% respectively.

Any restriction by any third-party suppliers and subcontractors upon which the Company relies, in addition to temporary and permanent discontinuation of their business (including but not limited to loss of license or permit, or technical or industrial malfunctions) or inability to provide their services at acceptable prices or conditions of the Company will adversely affect the Company. Thus, this will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

Moreover, the Company is unable to directly guarantee the effectiveness and quality of subcontractors when executing contracts. The Company may be indirectly liable if these suppliers and subcontractors are not able to implement such contracts and deliver services within the specified timeframe and to the agreed standards. In addition, some agreements with suppliers also caps on the liability of such suppliers, including with respect to any breach mentioned above (see Section 12 ("Legal Information") of this Prospectus for further information). If the Company is unable to pass through losses (in whole or in part) as a result of supplier of subcontractor default, such loss will have to be borne by Company. This will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2.1.14 Risks related to malfunctions in the Company's facilities

The Company currently operates through its head office in Riyadh and its subsidiaries in Jeddah and Al Khobar. Given the centralization of the Company's staff and other resources in these facilities, there will be an impact on the Company's business and the results of its operations if any of these facilities are damaged by natural disasters, including earthquakes, floods, fires, or other natural disasters, which would cause serious damage to facilities and real estates. Accordingly, this will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2.1.15 Risks related to reliance on information technology

The Company relies heavily on IT systems to connect its six Business Units through its software, systems, and equipment. Any disruption to IT systems will have an adverse and material impact on their ability to track, record, and analyse the services they provide to their customers, thereby reducing their ability to deliver their services effectively. Thus, this will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2.1.16 Risks related to failure to implement future business strategies

The success of the Company's business depends on its ability to effectively implement its business strategies and future projects (please see Sections (4.6.3) ("Strategy") and 4.8.8 ("Future Projects") of this Prospectus for further information.) There is no guarantee that the Company will be able to implement its future strategies and projects .within the allocated timeframes and budgets This will have a material adverse effect on the Company's business, financial position, and results of operations in case of failure to implement its strategy and business.

2.1.17 Risks related to failure to provide sufficient insurance coverage for operational risks

The Company maintains insurance coverage through several types of insurance policies including, but not limited to, general insurance obligations and product insurance. The Company believes that it has provided insurance against relevant risks at a reasonable and commercially adequate amount for its business. The Company's operations may be affected by a number of risks not covered by insurance or which are covered but at unreasonable commercial prices. Future accidents may occur for which the Company may not be not insured to cover potential losses or may not be insured at all. In addition, the Company's insurance policies include exceptions or limits for coverage, excluding certain types of loss, damage, and liability from insurance coverage. In these cases, the Company would incur losses that could have a material adverse effect on its business and results of operations.

Moreover, situations may arise that may force the Company to claim compensation from the relevant insurer with respect to any insured losses or damages. It is possible that the Company's claims may exceed the value of the insurance policy held by it, or that the incurred damage may not be covered by insurance, or that the claim filed by the Company may be rejected by the relevant insurer. The Company may also be unable to obtain sufficient insurance coverage due to an increase insurance premiums or due to the unavailability of such coverage (due an increase in the premium, the deductible, or co-insurance requirements). All these factors will have a material adverse effect on the Company's business, financial position, and results of operations.

2.1.18 Risks related to the Company's inability to obtain and renew the necessary licenses, certificates, permits, and approvals

The Company is subject to a number of laws and regulations that require it to obtain the necessary licenses and permits from competent legal and regulatory authorities in the Kingdom to exercise its business activities The Company currently maintains a number of licenses, certificates, permits, and approvals related to its business activities, including but not limited to the Commercial Registration certificates obtained by the Company from the Ministry of Commerce and Investment, the certificate of Chamber of Commerce membership, the trademark registration certificate, municipality licenses, and civil defence permits. If the licensee does not comply with certain requirements or does not conduct an audit to maintain a license (upon submission of a notice to the Company from by the relevant authority). In addition, upon renewal or amendment of the scope of the license, certificate, or permit, the competent authority may not renew or amend such documents and may impose conditions that would adversely affect the performance of the Company in the event that the competent authority has renewed or amended those documents. The Company may believe that it has fulfilled all the necessary requirements and obtained the necessary licenses to operate. However, a government entity may request that additional licenses be issued in the future.

The Company may be required to cease certain operations in the event that it is unable to renew a license, if a license has been suspended, cancelled, or renewed under unfavourable terms, or where the Company fails to obtain additional licenses that may be required in the future, which may cause interruptions and / or results in the Company sustaining additional costs, any one or combination of which will have a material adverse effect on the Company's business, financial position and results of operations.

2.1.19 Risks related to protecting the Company's reputation and brand

In the event that the Company is unable to maintain its market reputation and / or its reputation is suffers significant damage, some customers and suppliers may terminate or choose not to renew their contracts with the Company, and / or the Company will not be able to win and attract new customers and suppliers. This will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2.1.20 Risks related to the protection of the Company's trade name

The Company has registered its trademark (for more details, please refer to Section 12 ("Legal Information") of this Prospectus), and any breach of intellectual property rights or unlawful use of the trademark will result in legal proceedings and claims before the competent courts to protect the Company's rights. This is a costly and time consuming process which would require efforts by Management to follow it. If the Company fails to effectively protect its brand, this would adversely affect its value, which will have a material adverse effect on its business, results of operations, financial position, and future prospects.

2.1.21 Risks related to failure to meet customer needs

The Company's inability to provide its services in accordance with customer requirements may lead to an erosion of its brand value and affect its market standing, which may reduce the customer's dealings with the Company. Thus, this will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2.1.22 Risks related to the increase in government fees applicable to non-Saudi employees

In 2016G, the government adopted a number of resolutions aimed at achieving comprehensive reforms of the labour market in the Kingdom. These resolutions included the introduction of additional fees for each non-Saudi employee working for a Saudi entity as of 1/1/2018G, in addition to the issuance and renewal fees for the dependents and accompaniers of non-Saudi employees, which became effective as of 1/7/2017G, which will gradually increase. As a result of these resolutions, the percentage of government fees paid by the Company to its non-Saudi employees in general increased by 32.6% (the Company's Saudization percentage as of 30/06/2018G). The increase in issuance and renewal fees may cause a non-Saudi employee to encounter a higher cost of living, and this may lead him to work in other countries where the cost of living is lower. As a result, the Company may have difficulty in retaining non-Saudi employees and may be forced to bear the cost of the increase in government fees associated with the issuance and renewal of the residences of non-Saudi employees and their family members, which will cause an increase in the Company's costs and expenses. This will have a material adverse effect on the Company's business, profits, results of operations, financial position, and future prospects.

2.1.23 Risk of dependence on key personnel

The success of the Company's operations and future projects depends on the expertise and efficiency of its management and technical staff, including Senior Management and senior officers, with long and sufficient years of experience in ICT sector and related services. Most Management personnel began their careers with the Company, continued for many years, and have good working relationships with the Company's customers, suppliers, service providers, local Saudi market, its lenders, and other entities dealing with the Company. Accordingly, with the exception of certain members of Senior Management, all employees of the Company are subject to short-term agreements of only one year, annually renewable (according to business requirements). If the Company failed to retain its Senior Management and key personnel, whether due to non-renewal of their contracts or inability to recruit new qualified personnel with the same experience for reasonable remuneration, this would have an material adverse effect on its ability to maintain one of the six Business Units or to launch and introduce other Business Units (for further information, please refer to Section 4.8.8 ("Future Projects") of this Prospectus), which will have an adverse impact on the Company and the results of its operations, financial position, and future prospects.

2.1.24 Risks related to employee misconduct and errors

Employee's conduct emissions or errors may cause the Company to be in violation of applicable Employee misconduct or error may cause the Company to be in violation of applicable regulations, including, for example, accidents resulting from the installation of devices and systems, which can result in the imposition of penalties on the Company by the competent authorities which will vary depending on the severity of the violation, potential financial liability, or material damage to the Company's reputation. There is no guarantee that the Company can rectify such misconduct or error. The precautions taken by the Company to deter such misconduct or errors may not be sufficient in all cases. The Company's employees and agents may commit errors that may expose the Company to claims and legal proceedings relating to compensation for such alleged negligence, as well as formal actions and steps that would have a material adverse effect on the Company's business, financial position, results and goodwill.

2.1.25 Risks related to claims and litigation

The Company may become exposed to lawsuits, claims, and other judicial proceedings related to its, business operations including from customers, suppliers, and employees. The Company cannot predict the outcome of such proceedings, and any unfavourable result could have a material adverse effect on the Company's business, financial condition, and results of operations. In addition, the Company anticipate the costs of such actions brought by or against it, or the final outcome of such claims or judgements, including penalties and damages. Therefore, any negative decision will have an adverse impact on the Company. The Company may be subject to labour claims and complaints or actions for infringement of intellectual property rights or trademarks by suppliers, competitors, or third parties. In the event that the Company is subject to a negative judicial or quasi-judicial decision, and such decisions requires the payment of large compensatory amounts beyond the financial capacity of the Company, this would have a material adverse effect on the Company's business, aspirations, results of operations, financial position, and future prospects (for more details, please refer to Section 12 ("Legal Information") of this Prospectus).

2.1.26 Risks related to the prices of the Company's products and services

(A) Competition among ICT service providers

Company's customers may request lower prices for services provided by the Company. In particular, the entry of new companies and suppliers to IT sector, or expansion, development and integration of competitors' existing business, will result in an increase in the number of service providers which may lead to a reduction in the prices of products and services provided by the Company. Reduced prices as a result of the above will lead to a decrease in the Company's profit margins from services provided to customers, thereby reducing the Company's profits from its business in general. This will have a material adverse effect on the Company's business, financial position, and results of operations.

(B) Operating costs

Over the past few years, there has been a gradual increase in the Company's operating expenditure. Among the reasons for such increase is a 3% increase in staff salaries between 2015G and 2017G, and the Company expects that operating costs will increase in the coming years.

In the event the Company fails to manage and control such increases in operating costs and retain the profit margin (by increasing the prices of services provided in proportion to operating costs) will have a material adverse effect on the Company's business, financial position, and results of operations.

2.1.27 Risks related to higher doubtful debts due by major customers and government entities

The Company is exposed to the risk that customers delay or fail to make payments for services rendered by the Company. This risk may arise due to disputes between customers and the Company regarding the quality of the services provided to them or the financial difficulties that customers may face, such as liquidity or bankruptcy issues. In addition, government agencies work on an annual budgeting cycle, which means outstanding invoices are delayed and payments are made in lump sums at year end. The Company's receivables as at 30/06/2018G amounted to SAR 374,0 million being due from various customers, of which SAR 333,2 million (or 89.1%) is owed to governmental and quasi-governmental entities. Doubtful debts amounted to SAR 2,2 million as of 30/06/2018G. (For more details, please refer to Section (6) ("**Management Discussion & Analysis of Financial Condition & Results of Operations**") of this Prospectus).

Any late payment of amounts due and / or any significant increase in amounts receivable by customers or contractors and / or insufficient doubtful debts will have a material adverse effect on the Company's cash flow, financial position, and results of operations.

2.1.28 Risks related to newly implemented corporate governance rules

The Board of Directors adopted Company's internal corporate governance manual, which took effect from 10/1/1440H (corresponding to 20/09/2018G). Such manuals include rules and procedures related to corporate governance derived from the Corporate Governance Regulations issued by CMA. The Company's success in the implementation of corporate governance rules and procedures will depend on the extent of comprehension and understanding of these rules and proper execution of such rules and procedures by the Board of Directors, its committees and senior executives, especially with regards to the formation of the Board and its committees thereof, independence requirements, rules related to conflict of interests, and related parties' transactions. Failure to comply with the governance rules, especially the mandatory rules that have derived from the Corporate Governance Regulations issued by CMA, would subject the Company to regulatory penalties and would have a material adverse effect on the Company's business, financial position, results of operations and future prospects.

2.1.29 Risks related to newly formed board committees

On 10/01/1440H (corresponding to 20/09/2018G), the Board of Directors formed the Audit Committee and the Nomination and Remuneration Committee to carry out the tasks required of each of them as approved by the Ordinary General Assembly held on 10/01/1440H (corresponding to 20/09/2018G) and Corporate Governance Regulations issued by CMA (for more details, please refer to Section 12 ("**Legal Information**") of this Prospectus).

Any failure by members of these committees to perform their duties and adopt a work approach that ensures protection of the interest of the Company and its Shareholders may affect compliance with corporate governance regulations, the continuous disclosure requirements issued by CMA, and the Board of Directors' ability to effectively monitor the Company business through these committees, which would have a material adverse effect on the Company's business, financial condition, results of operations, and future prospects.

2.1.30 Lack of experience in managing a publicly listed company

Since its incorporation, the Company has been operated as a private company and, accordingly, the Senior Management has limited or no experience in managing a public joint stock company and complying with the laws and regulations pertaining to such companies in the Kingdom. In particular, senior executives will have to receive internal or external training in the Company's management in addition to the Company's compliance with the relevant laws, regulations, and disclosure requirements, which may decrease the time they dedicate to the management of the Company. Failure to comply with laws, regulations, and related disclosure requirements will have a material adverse effect on the Company's operations, financial position, results of operations, and future prospects.

2.1.31 Risks related to tax, Zakat and potential withholding tax

The Company provided Zakat returns up to 2007G and paid Zakat due within the established time limits. The Company obtained GAZT certificates for all years until 2007G. The Company submitted the Zakat assessments for 2008G up to 2016G, which are being reviewed and audited by GAZT. GAZT is still in the process of assessing these years and the results of this assessment cannot yet be determined.

As for 2017G, the Senior Management has assessed the tax payable on the basis of its assessment of the taxes due for the period from 21/12/2008G to 31/12/2016G. The Company has provisioned these liabilities in its financial statements. The Company cannot predict whether GAZT will accept its Zakat estimates for the said financial years or any differences that GAZT may require the Company to pay in the future. If GAZT requires the Company to pay such differences, this would adversely affect the Company's profits, results of operations and financial position (please refer to Section 11 ("**Declarations**") of this Prospectus).

The Company's transactions with its foreign suppliers are subject to withholding tax. The Company does not guarantee that it has set aside sufficient reserves in its account to cover the amount to be calculated by GAZT in respect of the withholding tax. If GAZT actually requires the Company to pay an amount higher than that allocated in the Company's accounts, this would adversely affect the Company's profits, results of operation, and financial position.

2.1.32 Credit risks

Credit related risks are related to the trade accounts receivable arising from the Company's product sales on deferred maturity dates. The Company may be exposed to late payments by some customers or contractors. A number of the Company's customers or contractors may experience low financial performance and the Company may fail to adequately analyse the credit risks of such parties. Accordingly, the Company's inability to collect any of the funds incurred by any of its customers or contractors will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2.1.33 Risks related to guarantees provided to associates companies

The Company has provided several financial guarantees in favour of associate companies for the purpose of enabling them to participate in tenders or to implement projects with government entities and private companies (See Section 5.7) "Conflict of Interest" of this Prospectus for further information regarding guarantees provided to associates and related companies). Recipients of such guarantees may enforce against such guarantees if one of the beneficiary associate companies breaches its obligations with respect to the relevant projects which will have a material adverse effect on the Company's business, financial position, and results of operations.

2.2 Risks related to the market and regulatory environment

2.2.1 Risks related to changes in the regulatory environment

The Company's business is subject to numerous regulations and laws, including Competition Law, VAT Law, Companies Regulations, Customs Laws, Labor Law, and Government Tender and Procurement Law and other regulations. The Company's business depends on the ability of the Company to comply with the requirements of these laws when it comes to management of its operations and throughout project execution.

In addition, the Company cannot foresee changes in the regulatory environment, and the Company's regulatory environment may be subject to numerous changes, due to changes to the tax law and the adoption of tougher antitrust, pricing, and corporate governance regulations, amongst others. Failure of the Company to comply with all the requirements and provisions of the laws applicable to the Company, or to which it is subject, may cause the Company to incur fines or penalties, which will have a material adverse effect on the Company's business, financial position, and results of operations.

Changes in the regulatory environment may affect the Company's operations by restricting the development of the Company, its customers, operations, sales, or services, or increasing the level of competition. The Company may also modify its business practices to comply with these regulations and, accordingly, incur additional costs and fees. The Company does not guarantee that such future regulatory changes will not materially and adversely affect its business, financial position, and results of operations.

2.2.2 Risks related to competition

The Company operates in a competitive environment characterised by strong competition. There is no guarantee that the Company will continue to effectively compete with other companies in the market. The market is rapidly changing in terms of technology, user requirements, and industry standards, development and modernization of products newly introduced to the market, and the Company expects to face competition with regards to products or higher prices. Strong competition for products and prices can result in increased costs and expenses, including advertising, marketing, future sales, research and development costs, product discounts, and product replacement, marketing support, and ongoing product-related service fees. In addition, current competitors may establish partnerships with each other or with third parties that will improve and develop their resources. As a result of these acquisitions, current key competitors of the Company may need to develop new technologies and user or customer requirements, allocate greater resources to sell or offer their solutions, initiate or stop price competition, take advantage of other available opportunities more quickly, or develop and expand their offerings more quickly and widely than the Company. Competitors may redouble their products and services, which will reduce the Company's current market share. Thus, each of the above factors will have a material adverse effect on the Company's business, financial position, and results of operations.

2.2.3 Risks related to the Competition Law

In the event that the Company becomes a dominant player in the market or is considered to be in a dominant position in the market by the General Authority for Competition, the Company's business will be subject to the terms and controls set forth in the Competition Law, which seeks to protect fair competition in the Saudi markets and encourage and promote the market rules and free and transparent prices. Should the Company violate the provisions of the Competition Law and receives a judgment in respect thereof; it might be subject to a fine not exceeding ten million Saudi Riyals. In addition, the General Authority for Competition may request temporary or permanent suspension of the Company's activities, in part or in whole, in the event of repeated violation by the Company. Moreover, the litigation process may be time consuming and expensive for the Company, which will have a material adverse effect on the Company's income and financial position.

2.2.4 Risks related to the Company's application of International Accounting Standards

The Company's financial statements for the years ended 31 December 2015G, 31 December 2016G and 31 December 2017G have been prepared in accordance with SOCPA standards. As at 1 January 2018G, the Company has applied International Accounting Standards (IFRS). The adoption of the new accounting standards (IFRS) has led to an update of the revenue recognition policy whereby, in accordance with the new standards, the Company recognizes revenues on customer's receipt and depreciation of services rendered over a period of time, i.e., the number of days of service delivery. For more details, please refer to the Company's financial statements for the six-month period ended 30 June 2018G (Significant Accounting Policies). The Company's development and adoption of additional provisions may have a material adverse effect on its net profit and total assets.

2.2.5 Risks related to non-compliance with Saudization requirements

The Company currently meets the Saudization requirements. The Company IT branches are classified under the High Green category, while its maintenance and operation branches are classified under the Medium Green category, but it may prove difficult for the Company to continue employing and maintaining the same percentage of Saudi employees and, consequently, it may fail to comply with the requirements of the Nitaqat program. There is no guarantee that the Company will meet, raise, or maintain the required Saudization percentage. In addition, the increase in number of foreign employees or the inability of the Company to fulfil the Saudization requirements may lead to a number of penalties or significant fines, which may have a material adverse effect on the Company's business, financial position, results of operations, and future prospects (for more details, please refer to Section (5) "Organizational Structure and Governance of the Company").

2.2.6 Risks related to the Kingdom and the global economy

The Company's performance depends heavily on the economic situation in the Kingdom. Despite the Kingdom's diversification policies, the oil sector contributes significantly to Saudi GDP. Accordingly, fluctuations in oil prices, specifically the substantial and significant fall in prices, may directly affect economic activity in the Kingdom. For example, the government may reduce costs and expenses, including provision of IT services, which may lead to reverse gradation or cancellation of current and future contracts. Government and semi-government customers account for 68% in the first half of 2018G. This may significantly affect companies operating in the Kingdom, including the Company.

In addition, in the event of one or more changes in macroeconomic factors or indicators in the Kingdom, including economic growth, exchange rates, interest rates, inflation, wage levels, foreign investment, and world trade, they will have a material adverse effect on the Company's business, financial position and results of operations.

2.2.7 Risks of non-compliance with the new Companies Law

The Council of Ministers recently issued a new Companies Law that replaced the previous law and which tock effect from 25/07/1437H (corresponding to 02/05/2016G). The current law may impose some new regulatory requirements that must be met by the Company. This will require the Company to take the necessary actions to meet such requirements, including management of transactions with conflicting interests, which may have an impact on the Company's action plan or be time consuming. The current law imposes even stricter penalties for violations of its applicable provisions and rules. Accordingly, the Company may be subject to such penalties in case of failure to comply with the provisions and rules, with fines of up to five hundred thousand Saudi Riyals (SAR 500,000). This, in turn, would adversely and materially affect the Company's business, its financial position, results of operations, and future prospects.

2.2.8 Risks related to increased expenses

The Company's performance depends on its ability to maintain profitability by setting and providing reasonable prices for its products and services and its capacity to sustain any higher costs of production or services provided to its customers by increasing the prices of those products or services.

The Company cannot fully control the prices of its products or services, since these prices depend on the availability and demand in the market. Consequently, if costs of operation, production or services provided increase, with the Company being unable to raise the prices of its products and services to offset these costs, the Company's profitability will be significantly affected, which will have a material impact on the Company's business, results of operations, financial position, and future prospects.

2.2.9 Risks related to foreign exchange rates

Some of the Company's transactions are denominated in currencies other than the Saudi Riyal, particularly the US dollar. As part of the Kingdom's policy, the Saudi Riyal, as of the date of this Prospectus, is pegged to the US dollar at an exchange rate of 3.75 Saudi Riyals per US dollar. However, there is no guarantee that the exchange rate of the Saudi Riyal against the US dollar will be stable. These fluctuations in the value of the Saudi Riyal against foreign currencies (including the US dollar) used by the Company may result in increased expenses, which will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

In addition, higher commission rates, whether fixed or variable, applied between banks (known in the Kingdom as the **SIBOR**), or increase in the London Interbank Offered Rate (known as LIBOR) paid by the Company to its financers may result in an increase in the costs of financing needed by the Company to finance its expansions, which will adversely affect the Company's business, results of operations, financial position, and future prospects.

2.2.10 Risks related to adverse changes in interest rates

In expanding the Company, increasing its production lines, and developing new products, the Company relies on obtaining financing and facilities from external financing entities such as commercial banks, government lending institutions, and others. Accordingly, the Company's external financing arrangements are significantly affected by interest rates, which are highly sensitive to a number of factors beyond the Company's control, including governmental, monetary, tax and financial policies, and local and global economic and political conditions. An increase in interest rates for financing and cost of interest may result in a decline in the Company's cash flows. Therefore, negative fluctuations in interest rates may have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2.2.11 Risks related to the adoption of VAT and its impact on the Company

The Council of Ministers decided on 2 Jumada Al-Awwal 1438H to approve the Unified GCC Value Added Tax Agreement, which came into effect on 1/1/2018G as a new tax to be added to the system of taxes as well as other duties to be applied by specific sectors in the Kingdom, including the ICT sector where the Company operates. The tax rate borne by the consumer amounts to 5%. If the VAT rate increases in the future, the Company may not be able to raise the prices of its products to offset the full value of the tax due to several factors and considerations, including the nature of the contractual relationship with some customers or competitive factors prevailing the market, which will, in turn, have an adverse impact on the Company's business, results of operations, financial position, and future prospects.

2.2.12 Risks related to natural disasters

Natural disasters which are beyond the control of the Company, such as floods, earthquakes, storms, etc., may damage the Company's facilities and employees in case they occur. This will result in heavy costs to the Company and may affect the Company's ability to continue its operations and thus reduce its income from such operations. The occurrence of such disasters and damage to Company's facilities will have a negative and material impact on the Company's business, results of operations, financial position, and future prospects.

2.2.13 Political and security risk in the region and associated impact on company's operations

The Company's prospective subscribers should take into consideration the geopolitical risk in the Middle East, which will have a negative and material impact on the Kingdom's economy, the Company's customers and / or the Company and its operations. These risks may adversely affect the value of the Company's investments and will therefore have a negative impact on the Company's business, results of operations, financial position, and future prospects.

2.3 Risks related to the Offer Shares

2.3.1 Effective control by Selling Shareholders

After the completion of the Offering, the Selling Shareholders will hold 11,200,000 Shares, representing 70% of the Company's Share Capital. Together, they will be able to influence the Company's decisions, since they will have a majority stake in the Company's General Assembly meetings and will be able to control matters requiring shareholder approval, including mergers and acquisitions, sale of assets, election of the board members, increase or decrease of capital, issuance or non-issuance of additional shares and dividends, or any other change in the Company. It should be noted that the interest of the Selling Shareholders may differ from the new shareholders. Therefore, if the interests of the Selling Shareholders conflict with those of the minority shareholders, this will have a material adverse effect on the interests of the other subscribers and their investment plans in the Company. The Selling Shareholders may impose their control over the Company in a manner that adversely affects the Company's business, financial performance, and profitability.

2.3.2 Absence of prior market for the Company's Shares

Currently there is no market for trading in the Company's shares, and there is no guarantee or confirmation that an active and liquid market for stock trading will exist and continue. The absence of an active market with high liquidity will have a negative impact on the price of the Company's shares trading.

2.3.3 Risk of potential fluctuations in share price

There can be no assurance that the Offer price will be equal to the Share Price after the Offering. In addition, the Subscribers may not be able to sell their shares at the price of the offering or at a higher price. The Company's Share Price may be highly volatile and may not be stable due to several factors including, but not limited to, the stock market conditions, any regulatory changes in the sector, decline in the Company's results of operations, inability to execute future plans, entry of new competitors and speculations on the Company's operations and others.

2.3.4 Risk of dividend distribution

Any decision to distribute dividends in cash to the Shareholders of the Company shall be at the discretion of the Board of Directors and upon its recommendation, after taking into consideration various factors that include the financial position of the Company, its results of operations, growth and expansion opportunities, and the need for internal financing. Some of the financing agreements entered into by the Company include restrictions on certain dividend ratios of net income (for further information about such restrictions, please refer to Section 12.8) "Finance Agreements"). There is no assurance about the Company's ability to distribute dividends in the future. If no dividends are distributed to the Shareholders, they may receive no return on the investment in the Shares of the Company except by selling their shares at a price higher than the purchase price. If the Company is unable to regularly distribute dividends, this will not help to increase the Share Price, and may even lead to a decline in the Share Price after listing.

2.3.5 Risks related to selling a large number of shares in the market

The Company's existing Substantial Shareholders who own 5% or more of the Company's shares will be subject to a Lock-up Period, which starts from the first day of trading of the Company's shares in the market. They will not be able to dispose of any of their shares. However, after the expiration of the six month Lock-up Period, there is no guarantee that the Substantial Shareholders, whose aggregate shareholding is 46.3% after the Offering, will not sell a big portion of their shares. If a large number of shares are sold on the market after the end of the Lock-up Period, the Share Price of the Company will be adversely affected.

2.3.6 Risks related to issuance of additional shares in the market following expiry of Lock-up Period

The issue of new shares in the future, should the Company decide to do so, will have a negative impact on the Share Price or will result in a decrease of the ownership of the shareholders who will not subscribe to the new shares upon issue.

3. Market overview

The information in this "Market Overview" section is based on the report prepared by the Market Consultant, International Data Corporation (IDC), exclusively for the Company on 21/12 /1439H corresponding to 02/09/2018G. The Market Consultant provides consulting services in the technology sectors. The Market Consultant was established in 1964 and is headquartered in Framingham (United States). For more information about the Market Consultant, visit the website (www.idc.com).

It should be noted that the Market Consultant does not, nor do any of its subsidiaries, sister companies, shareholders, directors, managers, or their relatives, own any Shares or any interest of any kind in the Company or its associates. The Market Consultant has given, and not withdrawn as of the date of this Prospectus, its written consent for the use of its name, market information, and data supplied by it to the Company in the form set out in this Prospectus.

The Board of Directors believes that the information and data from other sources contained in this Prospectus, including that provided by the Market Consultant, are reliable. However, information and data of this section have not been independently verified by the Company, the Directors, the Advisors or the Selling Shareholders, and thus none of them bears any liability for the accuracy or completeness of said information.

Some of the data contained in this section dates to 2013G and no updated data is available as of the date of this Prospectus in connection thereto. External experts have provided some information about competitors, including the number of members involved, while competitors have not been contacted to verify the that the information included herein is accurate and complete. All competition data is based on best estimates up until September 2017G.

3.1 Overview of the Kingdom's economy

GDP in current prices decreased at a CAGR of 2.1% from SAR 2,791 billion in 2013G o approximately SAR 2,564 billion in 2017G. This decrease is mainly due to a sharp decline in oil prices with the average price per barrel of Arabian Light Crude Oil falling at a CAGR at 15.9% from USD 107 in 2013G to USD 53 in 2017G. With respect to fixed prices (base year = 2010G), GDP saw slower growth in 2016G with a growth rate of 2.6% in 2016G compared to 3.5% in 2015G. In 2017G, GDP in fixed prices saw a decline of 0.8% compared to 2016G.

Public revenue decreased at CAGR of 11.9% from SAR 1,156 billion in 2013G to SAR 696 billion in 2017G. The decline was mainly due to the decline in oil prices, with oil revenues accounting for 90% of total public revenues in 2013G compared to 63% in 2017G. Therefore, the Kingdom has witnessed a government budget deficit that ranges from 2.3% to 15.0% of the GDP due to the decline in oil prices over the past four years. The Ministry of Finance adopted a policy to strike balance between the debt issue and withdrawal from government deposits and the state's public reserve to fund the budget deficit. The total debt reached SAR 438 billion by the end of 2017G, which accounts for 17.0% of the GDP compared to 2.2% in 2013G.

Table (3.1): Selected Economic Indicators (2013G - 2017G)

Indicator	2013G	2014G	2015G	2016G	2017G	CAGR (2013G-2017G)
GDP at current prices (SAR billion)	2,791	2,827	2,423	2,424	2,564	(2.1%)
GDP at fixed prices (SAR billion)	2,350	2,436	2,521	2,590	2,569	2.2%
Inflation rate (% Consumer price)	3.5	2.7	2.2	3.5	(0.3)	NA
The Kingdom's daily average of crude oil production (million barrels)	9.6	9.7	10.9	10.5	9.9	0.7%
Average price per barrel of Arabian light oil (USD)	107	97	50	41	53	(15.9%)
Actual Revenues (SAR billion)	1,156	1,044	616	519	696	(11.9%)
Oil Revenues (SAR billion)	1,035	913	446	334	440	(19.2%)
Real Expenditures (SAR billion)	976	1,110	978	831	926	(1.3%)
Government budget deficit (SAR billion)	180	(66)	(362)	(311)	(230)	NA
Ratio of government budget deficit to GDP (%)	6.5	(2.3)	(15.0)	(12.8)	(8.0)	NA
Ratio of public debt to GDP (%)	2.2	1.6	5.9	13.1	17.0	67.7%
Population estimates (million)	30,0	30,8	31,5	31,8	32,6	2.1%

Source: SAMA, Ministry of Finance, General Authority of Statistics

3.1.1 Technology overview

The Kingdom prides itself on providing high-speed internet access and high distribution rates of mobile and smart phones. Emerging technologies such as cloud computing, analytics, and mobile computing are increasingly used by companies. It is worth mentioning that government initiatives such as Neom, the smart city of Yanbu, e-governance programs, and other digital transformation programs in all areas are the main driver of increased technology spending.

Economic diversification is the government's major priority, providing many opportunities for technology providers to support the National Digital Transformation Initiatives of the National Transition Program under Saudi Vision 2030. While Saudi Vision 2030 provides plans to create a viable community, a thriving economy, and an ambitious nation, technology is a key potential and a driving force for the many target changes. The aim is to develop the country's digital infrastructure and stimulate major economic sectors and industries, as well as the private sector companies.

By 2021G, IT spending in Saudi Arabia is expected to reach SAR 48 billion, an increase of CAGR of 4.6% compared to 2017G in which spending was SAR 40,1 billion. IT services accounted for 33% of the total spending, while the hardware market accounted for 56% and software markets accounted for 10%.

Major sectors such as banks, financial services, insurance, oil and gas, health care, telecommunications, and government agencies has emphasized the importance of technology investment in their strategic plans recently and considered ICT as a priority. These sectors also demonstrate a tendency to adopt a transformational technology such as big data, analytics, and mobile computing in companies and cloud services.

Digitization will play a pivotal role in light of Saudi Arabia's pursuit of transformational goals in the small- and medium-sized enterprises (SME) segment. Therefore, ICT providers will need to provide a robust and distinctive set of services to meet the needs of SMEs in light of the increased use of ICT solutions and services.

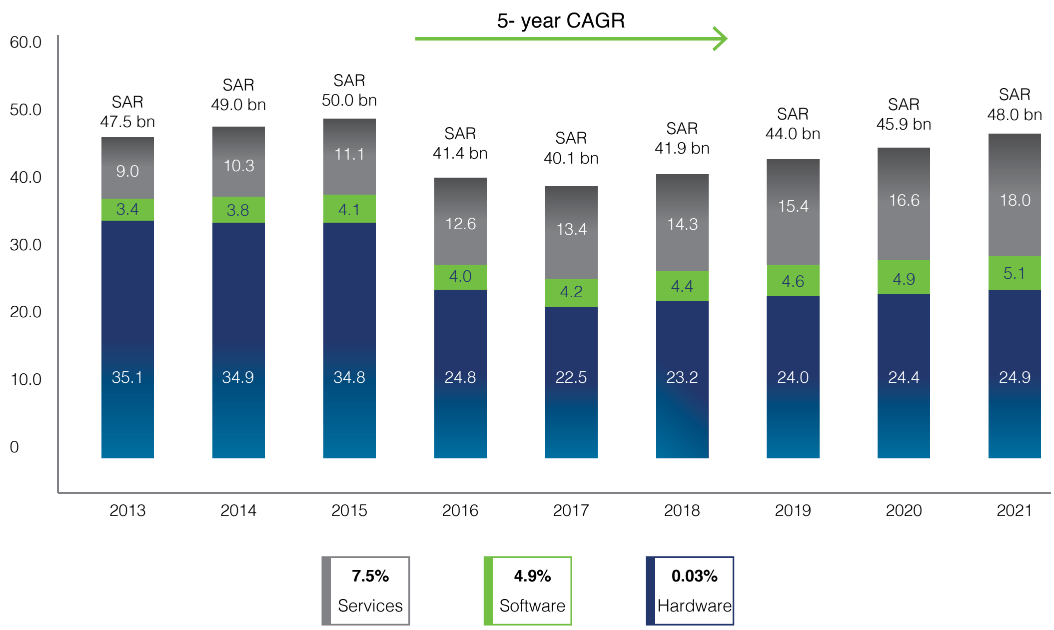
All of this indicates the rapid adoption of IT by Saudi Arabia, especially in the field of professional services. In addition to evaluation, solution, and support services, some of the other emerging IT services include IT consulting, hosting and data centre services, managed services, and cloud services. With strong IT usage plans in all fields, the Kingdom's IT market is booming and the IT sector in the Kingdom is expected to continue to grow.

3.2 Overview of IT industry

3.2.1 Size and growth of IT market

IT spending in Saudi Arabia is expected to increase in 2018G, as government, banking, finance, telecommunication, and oil and gas services continue to inject significant investments into technology. Initiatives of SME, citizen services, e-commerce security, and smart cities are expected to maintain the growth of the IT industry. The decline in revenues from traditional streams, such as voice and data-based services, has encouraged telecommunication companies to seek new revenue streams, such as hosting, cloud, and managed services.

Figure 1: Size of IT Market in the Kingdom, 2013G-2021G (SAR billion)



Source: Black Book of the International Data Corporation

3.2.2 Volume of IT spending by sector

Table (3.2): IT Spending Market in Vertical Sectors of the Kingdom, 2014G-2021G (SAR million)

Sector	2014G	2015G	2016G	2017G	2018G	2019G	2020G	2021G
Transport, Telecommunications and Services	6,100	6,270	5,995	6,225	6,512	6,834	7,174	7,511
Government	4,767	4,706	5,143	5,439	5,684	6,084	6,534	7,075
Manufacturing Industries	2,359	2,386	2,069	2,232	2,401	2,587	2,750	2,914
Finance	4,022	4,558	4,077	4,352	4,669	5,020	5,309	5,657
Construction and Resources Industries	2,525	2,554	2,315	2,423	2,559	2,725	2,889	3,012
Retail / Wholesale	1,444	1,512	1,242	1,333	1,436	1,533	1,608	1,679
Education	1,281	1,338	1,385	1,456	1,551	1,645	1,767	1,887
Consumer	24,818	24,972	17,584	14,892	15,177	15,523	15,676	15,971
Healthcare	897	957	966	1,068	1,173	1,273	1,365	1,485
Professional Services	805	788	648	692	729	768	789	811
Total	**49,018**	**50,041**	**41,422**	**40,111**	**41,891**	**43,990**	**45,859**	**48,001**

Source: The vertical database of the International Data Corporation

Government expenditure in 2017G ranked the second largest sector in terms of total IT spending in Saudi Arabia, following transport, telecommunications, and services (excluding consumer spending). The financial services sector ranked the third, followed by construction and resources, and then manufacturing industries. Oil and gas, banking, financial services, and insurance sectors have been at the forefront in term of technology adoption and are still investing in advanced technologies such as big data, analytics, cloud services, advanced security solutions, and others.

3.2.3 Key market drivers and inhibitors

Drivers

- Improvement of network availability and facilitating access to services outside enterprise premises through services such as public cloud computing, off-site hosting, remote support, and managed services
- Introduction of e-government initiatives, which led to increased government spending on digital transformation and technical infrastructure projects
- Recovery of oil prices, improvement of the macroeconomic environment, and increase in government revenues and therefore government spending
- Growing demand on remote services, such as public cloud and managed services
- Enhancement of modernity across all industries, with increased adoption of digital technologies, resulting in increased private sector spending on infrastructure and IT services
- Gradual acceptance of revolutionary techniques, such as cloud, Internet, big data, and analysis
- Data overload and digitization, in in light of increasing available data / information required to make decisions, as well as increased need for IT systems and services
- Introduction of smart city initiatives, stimulation of public and private investments in smart city technologies, infrastructure, and key IT services
- Increase of the usage e-commerce and stimulation of investment in e-commerce systems, as well as provision of additional sales channels to IT companies to reach more customers (i.e. SMEs and non-Saudi customers)
- Potentials of the SME sector, with strong support from the government and large companies, and increased demand on IT services targeting SMEs, such as cloud services and managed services
- adopting “cloud-first” approach, as global giants enter the market and stimulate significant future investments in cloud infrastructure and services
- Flow of international investments across many industries or fields, stimulating demand on IT services
- Change of the Kingdom’s international image, attracting investment from current and new players in markets across different industries.

3.2.4 Key market trends

Government incentives

The Saudi government has been emphasizing the importance of technology investments in its strategic plans in recent years and has made investment in the ICT sector a top priority. As IT strategies are aligned with the National Transformation Program, the implementation of IT-related projects will accelerate and boost IT spending, stimulate the modernization of infrastructure initiatives, and encourage the deployment of E-services. This alignment will not only accelerate growth but also provide service providers with a tool they desperately need in future work, enabling them to allocate and effectively utilize resources for future activities.

Increased adoption of managed services

Although most institutions in Saudi Arabia generally rely on internal service management (i.e., insourcing), they gradually adopt managed services and increasingly use third-party services to manage the IT system.

Adoption of cloud services

Growing demand on cloud services as a cost-effective alternative stimulates the transformation from traditional IT systems to alternative ones. This trend has come to be accepted by institutions facing budget problems due to lower oil prices and economic slowdown. International companies, such as Alphabet Inc. and EWS, have already entered the region, although they have not yet entered the local market. Sometimes, international giants enter the local market through various partnerships.

Infrastructure investments

Collective infrastructure investments aiming to support the deployment of public and private cloud services will also be a strong driver of growth in the IT sector. E-government initiatives will also drive demand on data centre consolidation and business continuity. SAP has recently launched a data centre in the Kingdom, while Google and Saudi Aramco are building a data centre, and Oracle, which is in the process of increasing its number of data centres worldwide, has plans to include the Kingdom as one of its 12 new data centres.

Smart city initiatives

Smart city projects are expected to gain momentum across major cities in the Kingdom. Some smart city initiatives include security, surveillance, smart networks, and smart traffic solutions. Smart city projects are witnessing growth within the GCC countries. However, the Kingdom is well placed to lead the implementation of such smart cities, thanks to its strong infrastructure for high-speed fixed communications. Smart city initiatives will give local secretariats high priority in terms of public infrastructure development. Smart, citizen-friendly solutions are expected to become a key area of investment for those entities. Yanbu's recent successful implementation of a set of smart initiatives has set a benchmark for other secretariats around the Kingdom. The Holy Makkah Municipality, already in the lead with the Smart Crowd Management solution, will deploy a set of initiatives for waste management, parking, and intelligent mobility.

Support for SMEs and entrepreneurship

SMEs and entrepreneurship are key factors, ensuring economic growth, innovation, and job creation. According to GOSI, small and medium-sized enterprises in the Kingdom represent about 99% of all registered companies. They account for a huge segment, for which no adequate services are provided. The government is taking strong steps to revive the market and demonstrates the enormous potential for technology spending.

Implementation of Vision 2030

Saudi Vision 2030 is a long-term economic model that aims to reduce Saudi dependency on oil. The National Transformation Program is one of the 13 VRPs. A rearrangement of priorities related to the objectives of the National Transformation Program would place the digital transformation at the forefront within the Saudi public sector, as initiatives will shift from the strategy phase to implementation.

3.2.5 Tables demonstrating the Company's position in the market

Deployment of Hardware and Support

Installation, configuration, disassembly, remote and on-site support, diagnostics, preventive maintenance, repair of server, customer hardware, storage, networks, and peripherals can be provided by hardware or third-party vendors. They are attached to devices or incorporated into an agreement on the site.

Related Business Units of the Company: System Unit, Networking Unit, Solutions Unit, and Operation and Maintenance Unit.

Table (3.3): Company's share in deployments of hardware and support

	2016G	2017G	2018G
Market Size (SAR Million)	1442,4	1503,1	1581,7
Company's share for 2017G	7.9%		
General rank in 2017G	4		
Key competitors	Saudi Business Machines Ltd., Communication Solutions Company Ltd., MDS for Computer Systems		

Source: Basic research and analysis by International Data Corporation, July 2018G

Deployment of Software and Support

This includes the installation, configuration, and commercial exploitation of software available in the market and provided on-site or "as a service." This also includes adequate ongoing support and access to resources. Configuration is limited to the options and features available in covered software packages.

Related Business Units of the Company: Solutions Unit, Business Services Management Unit, Information Security Unit, and Operation and Maintenance Unit.

Table (3.4): Company's share in deployments of software and support

	2016G	2017G	2018G
Market Size (SAR Million)	1107,0	1167,9	1237,8
Company's share for 2017G	9.7%		
General rank in 2017G	2		
Key competitors	Advanced Electronics Company, Saudi Business Machines Ltd., Communication Solutions Company Ltd.		

Source: Basic research and analysis by International Data Corporation, July 2018G

Network Security and Endpoints

This includes planning, design, integration and optimization of networks (LAN and broadband), allowing the deployment of audios, videos and data through one common infrastructure. It also includes network services related to public cloud development. Typical services include network access, routing, switching, optical transmission, video infrastructure, TDM, voice and wireless services, OSS and BSS.

Related Business Units of the Company: Information Security Unit, Networking Unit, System Unit, and Solutions Unit.

Table (3.5): Company's share in network security and endpoints

	2016G	2017G	2018G
Market Size (SAR Million)	849,5	907,6	981,0
Company's share for 2017G	12.1%		
General rank in 2017G	3		
Key competitors	Wipro, Ibtikar For Technical Solutions, MDS for Computer Systems		

Source: Basic research and analysis by International Data Corporation, July 2018G

Outsourced IT Services

Service providers are responsible for managing a large part of the IT system or the entire IT system (infrastructure and operations), which are subject to service level agreements and a standard contract term of 5-10 years.

Features:

- Employees: This may or may not include task force support.
- Assets: These can be found at the customer site or can be outsourced to a third-party data centre.
- Ownership: Assets may be owned by either the customer or the service provider.
- Service Delivery: They are tailored to a single customer or a set of customers (custom services + shared services)
- Structure: It may be customized or standardized.
- Billing: Bills may be fixed or variable (pay-for-use).

Related Business Units of the Company: Business Services Management Unit, and Operation and Maintenance Unit.

Table (3.6): Company's market share in IT outsourcing

	2016G	2017G	2018G
Market Size (SAR Million)	347,2	357,8	371,3
Company's share for 2017G	20.0%		
General rank in 2017G	2		
Key competitors	IBM, Wipro, and Arabic Computer Systems		

Source: Basic research and analysis by International Data Corporation, July 2018G

Managed Security Services

Managed security services provide onsite and offsite security management through round-the-clock surveillance, protection, reporting and immediate response. Many managed services include firewalls, intrusion detection, VPNs, anti-virus programs, vulnerability testing, and web filtering and blocking.

Related Business Units of the Company: Information Security Unit, Networking Unit, System Unit, and Operation and Maintenance Unit.

Table (3.7): Company's market share in managed security services

	2016G	2017G	2018G
Market Size (SAR Million)	125,7	140,8	156,6
Company's share for 2017G	3.7%		
General rank in 2017G	5		
Key competitors	ITS2, Mobily and BT Al Saudia		

Source: Basic research and analysis by International Data Corporation, July 2018G

Provision of Professional IT Advice

Advising customers on:

- Effective management of IT organization
- Improvement of IT performance, IT infrastructure and related processes
- IT advice has the following two main forms:
- Advice on IT Strategy: Develop the IT vision and objectives of the entire enterprise and align resources accordingly.
- Advice on IT processes: Improvement of IT infrastructure, structure and use specific techniques.
- Related Business Units of the Company: Information Security Unit, Networking Unit, System Unit, and Solutions Unit.

Table (3.8): Company's market share in IT industry

	2016G	2017G	2018G
Market Size (SAR Million)	697,3	753,6	818,6
Company's share for 2017G	0.4%		
General rank in 2017G	The Company is not one of the top 5 companies		
Key competitors	Wipro, Accenture and Dimension Data		

Source: Basic research and analysis by International Data Corporation, July 2018G

3.2.6 Competitive Landscape

Saudi Business Machines

Saudi Business Machines is a leading provider of integrated IT services to support networking, consulting, implementation and corporate and business recovery in Saudi Arabia. In addition, its well-established partnerships with international companies such as IBM, Cisco, and Microsoft, have played a key role in its success as a market leader. Saudi Business Machines has partnered with Orange Business Services that has enabled the two companies to bid for the largest ICT projects in Saudi Arabia.

STC Solutions

STC Solutions is the ICT operational arm of Saudi Telecom Company, providing a wide range of IT solutions. STC Solutions designs, develops, and manages a flexible, standardized, and secure infrastructure environment for public and private entities. With a solid foundation and collaboration with the Parent Company, STC Solutions has been successful in providing solutions in the areas of big data, Internet connectivity, system and network integration, cloud services, Internet of Things (IoT), and management services. STC Solutions focuses on strategies to increase business growth through new IT prospects with less dependency on traditional communication services.

Advanced Electronics Company

Advanced Electronics Company provides IT services in electronics, systems integration, and repair and maintenance services. The company currently employs more than 1,300 specialists and its offices are located in Riyadh and Dammam. The company's business is divided into three main areas: Military systems, communications and information technology systems, and industrial systems. The company invests in establishing a data centre to provide hosting services that will help facilitate the sale of services and solutions. It also adds new capabilities in intelligent business analysis, cloud services, and automation, especially in healthcare.

Wipro

Wipro Arabia is a joint venture between Wipro India Ltd. and Dar Al Riyadh established in 2001G. Wipro Arabia has about 1,000 employees, including talents in India, enabling the company to provide integrated IT services and ideal solutions, including appropriate professional advice services, system integration, infrastructure and application management, and outsourcing and technical support services in information technology. IT services have witnessed a significant growth in Saudi Arabia, providing a unique combination of flexibility and technical expertise in applications, infrastructure, and human and business excellence.

Ibtikar

Ibtikar is a subsidiary of National Technology Group and is one of the leading companies in the Kingdom of Saudi Arabia in the field of IT infrastructure services. Experience, knowledge, dedication and successful precedents are the basis of Ibtikar's goodwill in IT infrastructure. As part of its specialized network, security, storage, and systems and enterprise management operations, Ibtikar provides IT advice, integration, and infrastructure management services, as well as ongoing support and improvement to ensure the development of high-yielding solutions.

Arabic Computer Systems

Arabic Computer Systems was established in 1984G as part of the National Technology Group, with more than 1,100 employees. It is headquartered in Riyadh, with its offices located in Jeddah, Khobar, and Jubail. The Arabic Computer Systems operates through three departments: Arab Soft for Consultancy, which provides Microsoft solutions; Systems Integration, which sells a variety of hardware and solutions, as well as integrated support and solutions; and IT Services, providing network management services, collaboration, data centres, and security and power solutions.

MDS Arabia

MDS provides professional IT integrated services and solutions that focus primarily on data centre management, support, storage, virtual solutions and networks. MDS focuses on communications, as well as finance, oil, gas, and education. Total Technical Triangle, a subsidiary of MDS, is renowned for its focus on Dell products and is now ready to offer IoT solutions, security and automation as part of its restructuring.

3.3 The Company's opportunities in the ICT Market

Data centres are a revolution in telecommunications and have become a vital element of many companies, as the Internet has become an absolutely indispensable instrument. Cash flow is just as important as permanent Internet access. Information technology companies are under pressure from the business environment to upgrade their infrastructure in order to reduce costs, increase flexibility, innovate, and operate more efficiently. To maintain their competitiveness, many companies have started to enhance and develop data centres.

Digital Transformation: With Saudi Vision 2030 outlining Saudi Arabia's broad economic and social objectives, the National Transformation Program provides a detailed map and key deliverables to achieve such objectives. Digitization plays a key role in realizing key deliverables of the National Transformation Program. The program identifies several digital transformation forms that support its initiatives, including five digital platforms and 29 important digital initiatives in key sectors, as well as many national digital assets that can be developed to support the government's digital transformation.

IT Services: With the development of Saudi Arabia and its application of modern technology to improve existing infrastructure, demand on specialized services such as systems integration, IT advice, managed services, outsourcing services, distribution and support services, private cloud services, and implementation services has witnessed strong growth. IT services have accounted for more than half of ICT expenditures and are growing faster than hardware and software expenditures.

Managed services: With increased cost pressures, complex IT infrastructure management, lack of skills, and higher operational costs of infrastructure management, a number of companies are increasingly stepping away from the "internal implementation" model to the "doing business via third party" model. The Kingdom's managed services market has witnessed positive growth and will continue to grow in the foreseeable future. Managed services dominated the outsourcing market as it accounted for most of the outsourcing costs in 2016G. The traditional IT outsourcing market accounted for only 16.0%, due to depressed demand for outsourcing transactions with broad scope, multi-year terms, and integrated services. As a result, managed services as a typical IT outsourcing model are expected to grow twice as fast as traditional IT outsourcing.

Solutions: The number of enterprises willing to work with service providers, offering complementary solutions rather than individual products, is increasing. Most individual IT solutions target a specific IT problem solution, with complementary solutions aiming to solve business problems as a whole, thus opening up future prospects for service providers with complementary solution delivery capabilities. In addition, the government emphasizes digitization of citizen services.

Security: IT and real-time security markets (CCTV surveillance cameras, biometric analysis, etc.) have gained momentum and developed over the past few years. Given the increased complexity and accuracy of threats, the field of information security management is in a constant need for investment by enterprises. IT providers would firmly establish their reputation in the market if they provided advanced security solutions as well as security management for their customers.

Internet of Things (IoT): Total IoT expenses in Saudi Arabia will reach SAR 4,9 billion by the end of 2018G, with growing uses in both public and private sectors. IoT has become an emerging area not only in Saudi Arabia but in the Middle East as a whole. In the current period, enterprises are divided between enterprises using IoT / M2M solutions, and others in the process of using them. However, demand for IoT / M2M applications in security, data collection, and fleet management solutions will increase rapidly in light of the Kingdom's focus on smart buildings and cities.

E-commerce: Saudi Arabia's young demographics, increased prevalence of broadband and smartphones, and the government's growing focus on e-commerce are key factors driving the shift to online purchasing in Saudi Arabia. Moreover, the traditional businesses of fast-moving consumer goods companies and banks are increasingly seeing e-commerce as a fast-growing complementary channel to sell their products and services.

Smart cities: In 2018G, most smart city initiatives will launch a strategy based on the results of IoT platforms in smart cities to connect devices, collect and manage data from different cities and technology suppliers, quickly deploy new solutions, and create a unified vision for a smart city. Smart building use status technology is expected to grow at a CAGR of 32.7% to reach SAR 344,8 million by 2021G. In the coming years, there will be an increase in cooperation between municipalities and international smart solution providers to support the technological component of smart initiatives.

SMEs: SMEs account for 99% of all companies in the Kingdom of Saudi Arabia. SMEs have a big advantage over large companies, with low bureaucracy compared to large companies, complex information management programs, complex content, and rigidities apparent in typical operating procedures in this field. Thus, SMEs can be more flexible and efficient, especially in use of cloud services, mobile computing, and IoT, which reduces property costs and creates many forms of savings when investing in infrastructure. In addition, SMEs have already begun to implement economical and flexible operational models in all sectors in Saudi Arabia to reduce inconsistencies and shortcomings in the hope of reducing operating expenses. International data company studies indicate that the SME sector in Saudi Arabia recognizes the benefits of digital transformation, not only because of the goals set by the Kingdom's Vision 2030 and the Digital Transformation Program, but also because the use of ICT and digital transformation is a key enabling tool for business continuity in the future. Although SMEs adopt a policy through which ICT spending is severely curtailed, their large numbers provide a great opportunity the focus of attention.

Block-chain: In the midst of the transformation across Saudi Arabia, Block-chain technology and its applications will raise interest in financial services and communications. Block-chain is currently being tested to demonstrate the extent to which it can be used with Shariah compliant products and cross-border wire transfers. Recent successful experience of Al Rajhi Bank in Ripple's Block-chain technology has scaled up ambitions of banking, financial service, and insurance sectors. Al Rajhi Bank is a leader inspiring other financial institutions in Saudi Arabia with regard to the use of Block-chain technology. SAMA is at the forefront of institutions using latest technologies in the banking sector. SAMA has launched several regulatory or supervisory programs that will enable the sector to upgrade its digital services and enhance operating models. In addition, SAMA has signed an agreement with Ripple to help banks in Saudi Arabia improve the payment infrastructure using XCurrent. SAMA's support to banks in Saudi Arabia using Block-chain technology would radically transform the methods adopted by the Kingdom's banks to carry out financing transactions worldwide. Thus, bank customers will receive faster, cheaper, more transparent and efficient payment services.

Cloud services: Cloud service markets will become more crowded as Saudi progressive institutions will target the "cloud service approach first." Budgetary constraints and the need to create a flexible infrastructure will push enterprises to invest more in general and hybrid cloud services. Growth was driven primarily by increased use of general cloud services, including enterprise resource planning, CRM, and collaborative applications. As STC is focused on SMEs' development target in light of Saudi Vision 2030, STC, in cooperation with the Small and Medium Enterprises General Authority, launched the Bluvalt Cloud, a Saudi cloud store aimed at upgrading the ecosystem of enterprises SMEs in Saudi Arabia. Bluvalt Cloud provides affordable and cost-effective solutions that better serve SMEs' business, opening the door to strong competition in the field of cloud services available to SMEs. Apple and Amazon are in discussions with Riyadh to obtain a license to invest in Saudi Arabia. Competition will be fierce soon, so local service providers must equip and introduce a variety of strategies to enhance their resilience in a market where prices are the main driver. Price wars, product abundance, and service level agreements are key factors for medium-term success.

Cognitive Computing and Artificial Intelligence: Saudi Arabia's interest in digital economy increases demand for factors that accelerate innovation such as artificial intelligence, cognitive technology and robotics. Cognitive computing and machine learning are used to raise efficiency in advanced industries Augmented Reality will be tested in all manufacturing areas to minimize waste and costs. The year 2018G will witness the management of pilgrims' delegations through an Augmented Reality application on the mobile phone supported by a Google artificial intelligence platform.

Big data and analyses: In spite of poor use of big data technology, relevant spending in Saudi Arabia is expected to reach SAR 2,1 million in 2018G. The momentum about use of big data is in the process of moving from pilot to implementation. Key use cases include risk management, behavioural shopping, business management, and job creation. Demand for business intelligence solutions is growing in business areas. With the increasing number of sensor-equipped devices that are shifting to IoT / M2M solutions, the use of big data technology is critical in data analysis aimed at decision-making support. Government, finance, communications, resource-consuming industries, and manufacturing industries have accounted for 75% of bid data expenditure.

4. The Company

4.1 Company Overview

The Company was originally incorporated as a Saudi limited liability company in Riyadh under Commercial Registration No. 1010063470 dated 24/12/1399H (corresponding to 15/11/1979G) under the name of Muhammad Al Moammar & Partners Co. which operated under the commercial name "Computer Services Centre Ltd". On 12/01/1413H (corresponding to 12/07/1992G), the Company's name was changed to "Al Moammar Information Systems Company" (the Company). Afterwards, it was converted into a closed joint stock company incorporated under Ministerial Resolution No. 52/S dated 12/02/1429H (corresponding to 20/02/2008G) and registered in Riyadh under Commercial Registration No. 1010063470 dated 10/01/1407H (corresponding to 15/09/1986G). The Company's head office is located at Pearl Centre, King Abdul Aziz Road, P.O. Box 16116, Riyadh 11464, Kingdom of Saudi Arabia.

The Company's share capital is one hundred and sixty million Saudi Riyals (SAR 160,000,000) divided into sixteen million (16,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per Share.

The Company is an end-to-end integrated ICT solutions and services provider offering the full range of ICT solutions and services including consulting and development, technical consulting, implementation, project and program management, and support and maintenance. The Company is an end-to-end integrated ICT solutions and services provider offering the full range of ICT solutions and services including, consulting and development, technical consulting, implementation, project and program management, and support and maintenance.

In addition to its own resources and services capabilities, the Company has entered into partnership and supply agreements with a number of internationally renowned suppliers of ICT systems and solutions. The partnership and supply agreements grant the Company non-exclusive rights to distribute products and services developed by the Company's partners and suppliers to customers in Saudi Arabia.

The Company operates in Riyadh through its head office and its contracting branch. It enjoys a wide local presence that extends to the western and eastern regions through its regional branches in Jeddah and Al Khobar. The Company's business is concentrated in Saudi market, with no subsidiaries or key assets outside the Kingdom. The Company does not export to foreign markets and does not carry out any business overseas. The Company's customer portfolio comprises some of the major government and semi-government ministries and agencies and private institutions in Saudi Arabia. The Company does not conduct any commercial retail business.

The Company's activities according to its Bylaws are:

- Wholesale and retail trade in computers and electronic devises (installation, operation, and maintenance)
- Wholesale and retail trade in wireless devices and maintenance
- Electrical and electronic works (installation, operation, and maintenance of computers)
- Communication technology (installation, operation, and maintenance).

The Company has divided its products and services into the following six Business Units to increase its coverage of all ICT specialities and requirements:

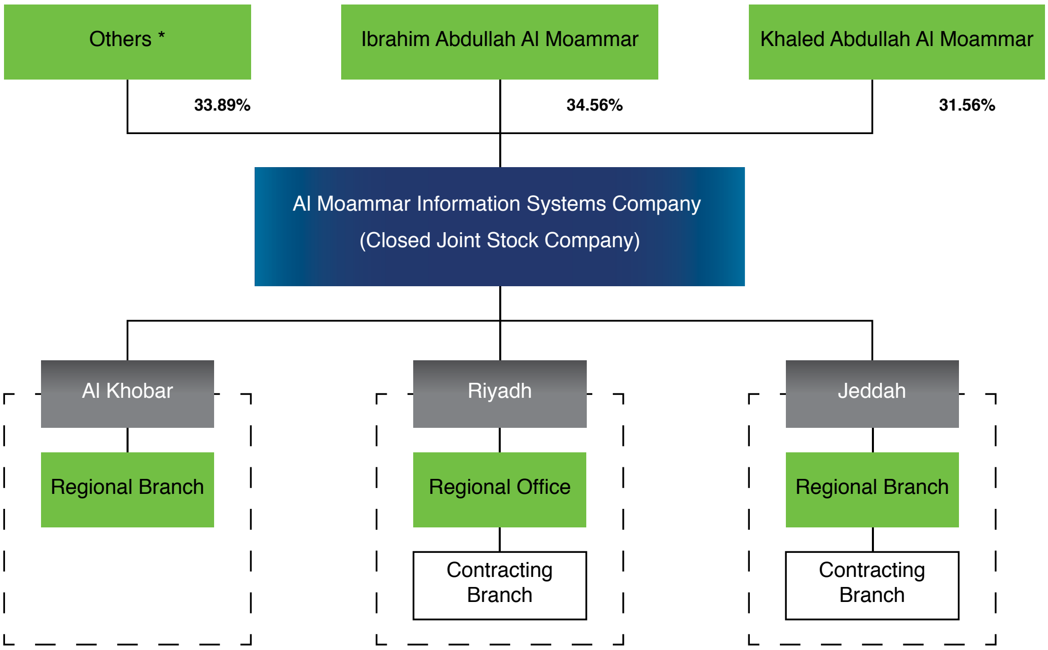
- Solutions Unit
- System Unit
- Networking Unit
- Information Security Unit
- Business Services Management Unit
- Operation and Maintenance Unit

The Board of Directors of the Company affirms that it has no intention to make any fundamental change to the nature of the Company's business and that there has been no interruption in the Company's operations that may affect or have a significant impact on the financial situation during the last twelve months.

The Company has appointed 719 employees, with total revenues of SAR 395,5 million for the six months ended 30 June 2018G and net income of SAR 13,5 million for the same period.

4.2 Corporate Structure of the Company

The Company operates in Riyadh through its head office and its contracting branch. It enjoys a wide local presence that extends to the western and eastern regions through its regional branches in Jeddah and Khobar. The Company does not prepare its financial reports on a regional or branch basis; instead, all financial reports are consolidated at the parent company level. Under the Company's current business model, the Company's contracting branches are used for the purpose of managing human resources (for further details, please refer to Section (4.11) ("**Employees**" of this Prospectus). The diagram below provides an overview of the Company's corporate structure and its business operations in Saudi Arabia.



* Shares owned by Al Moammar family members, none of whom individually holds 5% or more of the Shares in the Company.

The following table shows the key information for each Company's site.

Table (4.1): Key operating data for each site

Location (address)	Branch	Commercial Registration No.	Main activities	Date
Riyadh (Pearl Centre, King Abdulaziz Road, P.O. Box 16116, Riyadh 11464, Kingdom of Saudi Arabia)	Head Office	1010063470	Importation of computers and electronic devises (installation, operation, and maintenance). Importation and maintenance of authorized wireless devices, and provision of, installation, operation, and maintenance of electrical and electronic work. Computer and communication technology (installation, operation and maintenance). Importing, marketing and maintenance of communication and licensed information technology. Operation and installation of geographic information.	10/01/1407H (corresponding to 15/09/1986G)
	Contracting branch	1010432047	Wire and wireless communication networks activities, electronic installation, operation and maintenance of electrical facilities, telephone network, general contracting for construction, installation and operation of machines, and provision of logistics services.	12/6/1436H (corresponding to 02/04/2015G)
Khobar	IT branch	2051011413	Retail and wholesale trading of computers and electronic devices (installation, operation, and maintenance) electrical and electronic works (installation, operation, and maintenance).	17/03/1407 H (corresponding to 20/11/1986G)

Location (address)	Branch	Commercial Registration No.	Main activities	Date
Jeddah	IT branch	4030097824	Wholesale and retail trading of computers.	08/03/1414 H (corresponding to 26/08/1993 G)
	Contracting branch	4030288661	Wire and wireless communication networks activities, electronic installation, operation and maintenance of electrical facilities, telephone network, general contracting for construction, installation, and operation of machines, and provision of logistics services.	04/07/1437H (corresponding to 12/04/2016G)

Source: The Company

4.3 Incorporation stages of the Company and changes in capital

The Company was incorporated as a limited liability company and registered on 24/12/1399H (corresponding to 15/11/1979G) under the name of Muhammad Al Moammar & Partners Co. which operated under the commercial name: "Computer Services Centre Limited Company" under Commercial Registration No. 1010063470.

The Company's share capital was one million Saudi Riyals (SAR 1,000,000) divided into one thousand (1,000) shares with a value of one thousand Saudi Riyals (SAR 1,000) per share. The table below sets out the Shareholding in the Company at incorporation.

Table (4.2): Shareholding in the Company at incorporation

Shareholder	No. of Shares	Nominal Value of Shares (SAR)	Shareholding (%)
Mohammed Abdullah Al Moammar	450	450,000	45%
Abdullah Mohanna Al Moayyed	450	450,000	45%
Hamad Hassan Al Ajaji	100	100,000	10%
Total	**1,000**	**1,000,000**	**100%**

Source: The Company

On 05/07/1403H (corresponding to 18/04/1983G), Abdullah Muhanna Al Moayad and Hamad Hassan Al Ajaji assigned by a unanimous decision of the partners their entire share in the Company as follows:

- Abdullah Mohanna Al Moayyed transferred his entire shareholding comprising 450 Shares to Khalid Abdullah Al Moammar;
- Hamad Hassan Al Ajaji transferred his entire shareholding of 100 shares as follows: 50 shares for Khalid Abdullah Al Moammar and Mohammed Abdullah Al Moammar.

"The following table summarizes the Company's shareholding after the above-mentioned share transfers:

Table (4.3): The Company's shareholding after the transfer of shares as of 05/07/1403H (corresponding to 18/04/1983G)

Shareholder	No. of Shares	Nominal Value of Shares (SAR)	Shareholding (%)
Mohammed Abdullah Al Moammar	500	500,000	50%
Khaled Abdullah Al Moammar	500	500,000	50%
Total	**1,000**	**1,000,000**	**100%**

Source: The Company

On 07/02/1408H (corresponding to (20/02/1988G), the Company increased its share capital from one million Saudi Riyals (SAR 1,000,000) to two million Saudi Riyals (SAR 2,000,000) divided into two thousand (2,000) ordinary shares with a value of one thousand Saudi Riyals (SAR 1,000) per share by unanimous decision of the Company. The capital increase was made by capitalizing one million Saudi Riyals (SAR 1,000,000) from the Company's retained earnings account. One thousand (1,000) new shares were issued in proportion to the number of existing shareholders of the Company. The following table sets out the Company's shareholding structure upon capital increase.

Table (4.4): Company's shareholding after the transfer of shares as of 07/02/1408H (corresponding to 20/02/1988G)

Shareholder	No. of Shares	Nominal Value of Shares (SAR)	Shareholding (%)
Mohammed Abdullah Al Moammar	1,000	1,000,000	50%
Khaled Abdullah Al Moammar	1,000	1,000,000	50%
Total	**2,000**	**2,000,000**	**100%**

Source: The Company

On 12/01/1413H (corresponding to 12/07/1992G), the Company's Shareholders unanimously decided to change its name from Muhammad Al Moammar & Partners Co. (which operated under the commercial name: "Computer Services Centre Ltd." to its current registered commercial name: "Al Moammar Information Systems Company." By the same decision, the current partners, Mohammed Abdullah Al Moammar and Khalid Abdullah Al Moammar, assigned 333 shares to Ibrahim Abdullah Al Moammar. The following table sets out the Company's shareholding structure after transfer of shares.

Table (4.5): The Company's shareholding after the transfer of shares as of 12/01/1413H (corresponding to 12/07/1992G)

Shareholder	No. of Shares	Nominal Value of Shares (SAR)	Shareholding (%)
Mohammed Abdullah Al Moammar	667	667,000	33.35%
Khaled Abdullah Al Moammar	667	667,000	33.35%
Ibrahim Abdullah Al Moammar	666	666,000	33.30%
Total	**2,000**	**2,000,000**	**100%**

Source: The Company

On 12/02/1429H (corresponding to 20/02/2008G), the Company was converted from a limited liability company to a closed joint stock company in accordance with Resolution No. 52/S issued by the Minister of Commerce and Investment. Meanwhile, the Company's share capital has been increased from two million Saudi Riyals (SAR 2,000,000) to fifty million Saudi Riyals (SAR 50,000,000) divided into five million (5,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share through capitalizing forty-eight million Saudi Riyals (SAR 48,000,000) out of the Company's retained earnings account. Four million and eight thousand (4,800,000) new shares were issued. Below is a summary of the Company's shareholding following its conversion, in conjunction with capital increase.

Table (4.6): The Company's shareholding following its conversion and capital increase as of 12/2/1429H (corresponding to 20/2/2008G)

Shareholder	No. of Shares	Nominal Value of Shares (SAR)	Shareholding (%)
Mohammed Abdullah Al Moammar	1,666,500	16,665,000	33.33%
Khaled Abdullah Al Moammar	1,516,500	15,165,000	30.33%
Ibrahim Abdullah Al Moammar	1,666,500	16,665,000	33.33%
Ibtisam Suleiman Al-Nasser	21,500	215,000	0.43%
Abdullah Khaled Abdullah Al Moammar	21,500	215,000	0.43%
Saud Khaled Abdullah Al Moammar	21,500	215,000	0.43%
Najlaa Khaled Abdullah Al Moammar	21,500	215,000	0.43%
Al-Anoud Khaled Abdullah Al Moammar	21,500	215,000	0.43%
Dalal Khaled Abdullah Al Moammar	21,500	215,000	0.43%
Lawulua Khaled Abdullah Al Moammar	21,500	215,000	0.43%
Total	**5,000,000**	**50,000,000**	**100%**

Source: The Company

On 29/11/1429G (corresponding to 28/11/2008G), the ownership of the entire shares of Mohammed Abdullah Al Moammar in the Company (33.33% of the shares) was transferred to his heirs. The table below summarizes the Company's shareholding following death of Mohammed Abdullah Al Moammar:

Table (4.7): The Company's shareholding after transfer of shares by Mohammed Abdullah Al Moammar to his legal heirs as of 29/11/1429H (corresponding to 28/11/2008G)

Shareholder	No. of Shares	Nominal Value of Shares (SAR)	Shareholding
Khaled Abdullah Al Moammar	1,516,500	15,465,000	30.33%
Ibrahim Abdullah Al Moammar	1,666,500	16,665,000	33.33%
Ibtisam Suleiman Al-Nasser	21,500	215,000	0.43%
Abdullah Khaled Abdullah Al Moammar	21,500	215,000	0.43%
Saud Khaled Abdullah Al Moammar	21,500	215,000	0.43%
Najlaa Khaled Abdullah Al Moammar	21,500	215,000	0.43%
Al-Anoud Khaled Abdullah Al Moammar	21,500	215,000	0.43%
Dalal Khaled Abdullah Al Moammar	21,500	215,000	0.43%
Lawulua Khaled Abdullah Al Moammar	21,500	215,000	0.43%
Abdullah Mohammed Abdullah Al Moammar	220,000	2,200,000	4.40%
Khaled Mohammed Abdullah Al Moammar	220,000	2,200,000	4.40%
Fahd Mohammed Abdullah Al Moammar	220,000	2,200,000	4.40%
Abdul-Aziz Mohammed Abdullah Al Moammar	220,000	2,200,000	4.40%
Mansour Mohammed Abdullah Al Moammar	220,000	2,200,000	4.40%
Fahdah Mohammed Abdullah Al Moammar	115,157	1,151,570	2.30%
Latifa Saud Abdurrahman Al Moammar	277,750	2,777,500	5.56%
Maha Ibrahim Zeid Al Khayyal	173,593	1,735,930	3.47%
Total	**5,000,000**	**50,000,000**	**100%**

Source: The Company

On 19/10/1438G (corresponding to 29/01/2017G), the ownership of the entire shares of Latifa Saud Al Moammar in the Company (5.6% of the shares) was transferred to her heirs. The table below summarises the Company's shareholding following death of Latifa Saud Al Moammar:

Table (4.8): The Company's shareholding after transfer of shares by Latifa Saud Al Moammar to his legal heirs as of 19/10/1438H (corresponding to 29/01/2017G)

Shareholder	No. of Shares	Nominal Value of Shares (SAR)	Shareholding
Khaled Abdullah Al Moammar	1,578,220	15,782,200	31.56%
Ibrahim Abdullah Al Moammar	1,728,220	17,282,200	34.56%
Others*	1,693,560	16,935,600	33.88%
Total	**5,000,000**	**50,000,000**	**100%**

Source: The Company

**Shares owned by Al Moammar family members, none of whom individually holds 5% or more of the Shares in the Company. To review other shareholders, please refer to Table 5.1.*

On 15/02/1440H (corresponding to 24/10/2018G), the Company's share capital was increased from fifty million Saudi Riyals (SAR 50,000,000) to one hundred and sixty million Saudi Riyals (SAR 160,000,000) divided into sixteen million (16,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, through capitalizing one hundred and ten million Saudi Riyals (SAR 110,000,000) from the retained earnings account of the Company. Eleven million (11,000,000) new shares were issued pro rata to the existing Shareholders of the Company. The Shareholding in the Company following the Share capital increase is summarised below.

Table (4.9): The Company's shareholding following capital increase as of 15/02/1440H (corresponding to 24/10/2018G)

Shareholder	No. of Shares	Nominal Value of Shares (SAR)	Shareholding
Khaled Abdullah Al Moammar	5,050,305	50,503,050	31.56%
Ibrahim Abdullah Al Moammar	5,530,305	55,303,050	34.56%
Others*	5,419,390	54,193,900	33.88%
Total	**16,000,000**	**160,000,000**	**100%**

Source: The Company

**Shares owned by Al Moammar family members, none of whom individually holds 5% or more of the Shares in the Company. To review other shareholders, please refer to Table 5.1.*

4.4 Ownership structure of the Company before and after the Offering

The Company's share capital is one hundred and sixty million Saudi Riyals (SAR 160,000,000) divided into sixteen million (SAR 16,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per Share. The following is the ownership structure of the Company before and after the Offering:

Table (4.10): Shareholding in the Company pre-and post-IPO

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Nominal Value of Shares (SAR)	Shareholding	No. of Shares	Nominal Value of Shares (SAR)	Share-holding (%)
Khaled Abdullah Al Moammar	5,050,305	50,503,050	31.56%	3,535,213	35,352,130	22.10%
Ibrahim Abdullah Al Moammar	5,530,305	55,303,050	34.56%	3,871,212	38,712,120	24.20%
Others*	5,419,390	54,193,900	33.88%	3,793,575	37,935,750	23.70%
Public	N/A	N/A	N/A	4,800,000	48,000,00	30.0%
Total	**16,000,000**	**160,000,000**	**100%**	**16,000,000**	**160,000,000**	**100%**

Source: The Company

**Shares owned by Al Moammar family members, none of whom individually holds 5% or more of the Shares in the Company. To review other shareholders, please refer to Table 5.1.*

4.5 Shareholders owning 5% or more of the Company's Share capital (Substantial Shareholders)

The following table sets out the details of the Company's major shareholders holding 5% or more of the Company's share capital:

Table (4.11): Shareholders owning 5% or more of the Company

Shareholder	No. of Shares	Nominal Value of Shares (SAR)	Shareholding
Khaled Abdullah Al Moammar	5,050,305	50,503,050	31.56%
Ibrahim Abdullah Al Moammar	5,530,305	55,303,050	34.56%
Total	**10,580,608**	**105,806,080**	**66.12%**

Source: The Company

None of the current Shareholders indirectly own any portion of the Company's share capital.

4.6 Company's Vision, Mission and Strategy

4.6.1 Vision

The Company aims to be the leading ICT solutions and services partners to the Kingdom and the region.

4.6.2 Message

The Company seeks to successfully implement and provide its vast knowledge and expertise in delivering the best technology solutions, making Saudi Arabia's ICT industry a core enabler of community development and prosperity.

4.6.3 Strategy

The Company carries out its business as a provider of comprehensive services and solutions in the ICT sector, providing a range of solutions and services through six integrated Business Units. Each Unit covers a significant segment of ICT domains and disciplines. Business Units operate in light of an interdependent and integrated environment to deliver comprehensive solutions with the highest standards of quality and excellence in the market. The Company strives to take advantage of its leading position to continue to gain market share by consolidating its ICT partnership for its customers from the public and private sectors. The Company continues to expand its presence in the Kingdom and strengthen its portfolio of products and services with a view to maximizing shareholders' returns. To achieve this vision, the Company adopted the following business strategy:

(A) Increasing Government Works

The Kingdom's Vision 2030 and Vision Realization Program represent a significant opportunity for ICT solutions and service providers.. The Company has well established relationships with government agencies, with government contracts accounting for 68.0% of the Company's revenues in the first half of 2018G (for more information, please refer to Section 4.8.3 ("**Customers**") of this Prospectus). The Vision Realization Program is expected to enhance demand in the entire business portfolio of the Company. The Company believes that its excellent implementation history, strong financial position, and comprehensive skills in the ICT fields and disciplines will enable it to gain a significant share in this growth. In addition, the Company has the highest level of contractor rating for government contracts in the field of e-business, enabling it to bid for all government ICT business (for more details, please refer to Section 12 ("Legal Information") of this Prospectus).

(B) Disciplined and Regular Growth

The Company has always been disciplined with regard to the size and scope of its business, launching new Business Units only after careful market studies. In addition, the Company has long been trusted by customers with their business. The Company closely monitors emerging market trends, changes in customer preferences and requirements, and new technology developments prior to enhancing its existing product offerings or launching new service lines. Over the years, the Company has aligned its Business Units with the prevailing market trends. This reflects the rapidly changing nature of the ICT sector and is a testament to the Company's dynamic management team, which has always been able to adapt and respond to the market. At present, the Company aims to expand the scope of its high margin business through:

1- Expanding its portfolio of professional services related to emerging technologies and digital transformation services, particularly cloud computing, artificial intelligence, and information security;
2- Increasing its investments in software-as-a-service capabilities through acquisitions and partnerships.
3- Expanding its portfolio of solutions especially in healthcare, smart cities, e-development, process technologies, and mobility.

(C) Focus on emerging technologies

The Company regularly follows new technologies, industry segments and market trends in the ICT sector. The Company has the ability to offer greater value propositions to its customers to achieve efficient business execution, improve productivity and reduce costs by working closely with its customers.

(D) Expansion through complementary technology and sub-sectors

The Company will use its knowledge, innovations, and expertise in ICT to deliver bespoke products to meet the individual needs of the customers' sectors. For example, there is a new wave of convergence between information technology and industrial process management technology. This represents significant savings opportunity for industrial customers. In addition, the Company is exploring other technologies and solutions such as industrial security and energy efficiency solutions.

(E) Further strengthening supplier partnerships

For each of its six Business Units, the Company has longstanding and established relationships with some of the world's leading ICT companies. Examples are:

- **Solutions Unit**: Oracle, ESRI, IBM, Link, eProceed and SAP.
- **System Unit**: HPE, Aruba, VMWARE, Microsoft, Dell EMC and Veeam.
- **Networking Unit**: Cisco, F5, Schneider Electric and Netnuvem.
- **Information Security Unit**: Palo Alto, Symantic, Intel Security, Fire Eye and Zinad.
- **Business Services Management Unit**: BMC, FLEXERA and BDNA.
- **Operation and Maintenance Unit**: Column IT and Vyom Labs.

The Company's relationship with strategic suppliers has long been of benefit to both parties. On the one hand, the Company has the ability to deliver leading ICT products and services to its customers; on the other hand, suppliers have access to the growing ICT market in the Kingdom (see Section 4.8.4 ("**Supplier Partnerships**") of this Prospectus for more information on the strategic supplier partnerships concluded by the Company). The Company will continue to seek strategic opportunities to enhance its relationship with suppliers.

(F) Flexibility through non-exclusive relationships with suppliers

While the Company values its strategic supplier relationships, and despite that the non-exclusive nature of these relationships can lead to an increase to the Company's competitors (which is a risk),the non-exclusivity affords the Company greater flexibility in offering products and solutions tailored to specifications which are required by its customer. Often, this may require the Company to procure products and services from its non-strategic suppliers (for more information, please refer to Section 4.8.4 ("**Supplier Partnerships**")).

(G) Maintaining a good reputation with regard to reliability and high quality services a reputation for reliability and high quality services

The Company enjoys an excellent reputation for its quality, accurate and reliable services. The Company's long-term customer relationships, coupled with its track record of successful and timely project implementation, are proof of the quality of its brand and the services. In order to maintain this high level of excellence, the Company will continue to recruit highly skilled staff to ensure that its services are delivered in accordance with the highest standards. The Company has also established a project management office to ensure quality and execute projects on time (for more information, please refer to Section 4.9.3 ("**Project Management Office**")). The Company will strengthen this range of factors to enhance the Company's reputation in the market to establish customer relationships and significantly increase potential revenue streams.

(H) Strengthening relationships with the strategic customers

The Company intends to strengthen its long-term relationships with the strategic customers in both the public and private sectors. As part of this strategy, the Company intends to have an ideal customer portfolio to better focus and deliver services across the different geographic regions and sectors in which they operate. In addition, the Company has consistently reviewed its market coverage plans to ensure optimal coverage and maintain long-term relationships with its customers. The Company's ability to establish and strengthen customer relationships and expand its services will help increase revenue and profitability (for more information, please refer to Section 4.8.3 ("**Customers**")).

(I) Further enhancing and improving operational efficiency

The Company continuously seeks to enhance and improve its operational efficiency and capabilities in order to enhance profit margins and interest for the Shareholders. to this end, the Company has changed its resource planning and project management systems to Oracle Fusion's cloud based solutions. which should enable the Company to have detailed visibility of its operations and assist in timely decision making with a view to achieve greater efficiency. The Company also plans to increase its profits by increasing its high margin business and improving margins overall. At the same time, the Company intends to simplify the cost structure with a focus on the optimal use of staff and further optimal use of resources.

(J) Optimisation of employee head-count

The Company continues to optimise its head-count by ensuring that its staff numbers are always aligned with the number of projects and the size of its Business Units. In this context, specifically in the Operation and Maintenance Unit, the Company will hire staff from existing service providers if possible or transfer staff to new service providers in the event of termination of employment contracts. (For more information, please refer to Section 4.8.2(D) "**Operation and Maintenance Unit**" of this Prospectus).

(K) Taking advantage of the growth in the ICT sector

The Saudi ICT market is expected to grow at a CAGR of 4.6% from 2018G to 2021G and reach 48 billion Saudi Riyals by 2021G (Source: IDC). Given the Company's size and variety of services, it is well positioned to capitalize on this growth.

(L) Strengthening capacities and improving corporate governance

The Company aims to enhance its corporate governance capabilities through using human resource development to effectively support its growth and enhance the professional development of its employees. The Company also aims to enhance corporate governance through better policies, and control procedures and risk management.

4.7 Competitive Advantages

The following sections set out some of the key factors which the Company believes makes it well positioned to benefit from favourable domestic, regional and international trends in the ICT industry. Some of these demand drivers are attributed to socio--economic factors, while others are linked to the company's specific competitive advantages. Due to the size, quality and diversity of services, the Company believes it is well placed to take advantage of the growing economic trends and demands in the ICT sector.

4.7.1 A comprehensive portfolio of ICT solutions and services

The Company is considered a comprehensive ICT services provider providing a full range of services, starting from basic hardware and software maintenance services to the largest system integration projects with complex components and configuration. Customers prefer obtaining an integrated "comprehensive" solution from a single provider that can be more efficient, cost-effective, and accountable to having to deal with different suppliers, which may increase the duration and cost of a project and reduce efficiency. The Company believes that its ability to provide an integrated solution to all needs of its ICT customers can increase its customer base and establish long-term and ongoing contracts with its customers, all of which enhance its position in the market. Today, the Company maintains the highest level of reliability of its strategic suppliers across its Business Units, given its qualified, well-trained, and highly efficient employees providing solutions and services related to its products. More importantly, the Company has the skills required to incorporate and integrate different technologies from different suppliers to provide its customers with the most comprehensive and cost-effective solutions. This is a complex process that requires deep knowledge and skills, which the Company has. The Company has also the ability to develop niche products, such as the IT Service Management Platform it developed in collaboration with BMC. The Company believes that this comprehensive presentation is one of the main reasons why customers prefer the Company to meet their ICT needs.

4.7.2 Effective project management

The Company is one of the most distinguished companies in a highly competitive and complex sector by implementing a high level of project control, to maximize the speed and quality of the services it provides to its customers. The Company has established a specialized Project Management Office (PMO) and has implemented effective quality control processes and procedures. The PMO is responsible for overseeing the development of appropriate staff for each project as well as monitoring funding and billing for each project. The Company believes that this model will help achieve the highest standards of service delivery in order to meet and even exceed customer expectations, while improving its resources in order to maximize returns (for more details, please refer to Section 4.9.3 ("**Project Management Office**")).

4.7.3 Steady customer base

The Company has gained and retained a well-established customer base that generates recurring business for the Company in the public sector and private sector. The Company's relationship with customers extends over 10 years. Some strategic and steady customers include: Riyadh Municipality, Saudi Chemical Company, Arab National Bank and Al Rajhi Bank. As a sign of the Company's deep knowledge and understanding of its customers' business, many customers trust it to develop and plan their future IT strategies and investments. The Company has signed long-term supply, service, and support agreements with its major customers across its Business Units (for more information, please refer to Section 4.8.3 ("**Customers**")).

4.7.4 "Customer-First" Approach

The Company considers that the quality of its services and products is the core benchmark for its reputation. Therefore, the Company strives to deliver the maximum level of quality and excellence to meet customer satisfaction. The Company considers that this uncompromising approach to quality as an integral part of its identity which has led to the Company being regarded as one of the most reliable ICT solutions providers in the Kingdom, as evidenced by the longstanding customer relationships and the long term contracts secured by the Company. The Company believes that maintaining the highest level of service will enhance its current reputation and position in the market strengthen and increase the prospects of attracting new customers as well as its expansion into new service lines Brand or fixed identity of the Company

4.7.5 The Company's Trademark or Fixed Identity

The Company has worked hard to develop a clear brand identity to deliver the highest quality and secure services that are trusted by customers in the ICT sector. The Company also benefits from its strong and ongoing relationships with its ICT partners in its Business Units, including Oracle (Platinum Partner), Cisco (Gold Partner), HPE (Platinum Partner), Palo Alto (Diamond Partner), McAfee (Platinum Partner), Symantic (Gold Partner), Fire Eye (Gold Partner), Starlinks (Gold Partner), Microsoft (Gold Partner) and VM Wire (Premium Partner) suppliers will rate the partnership on the basis of the following criteria: (1) number of employees who have been trained and passed the tests of the supplier's technology, noting that there is a minimum level of staff and specialization for each level in the rating of the partnership; (2) the value of the business carried out with the supplier, where each level of partnership requires a minimum level of business; and (3) sometimes the supplier requests that the Company have a demo and trial system (Demo Kit) and others with good reputation and goodwill at the regional and global level (for further information, see Section 4.8.4 ("**Supplier Partnerships**")) of this Prospectus.

The Company is considered to be one of the leading providers of integrated ICT solutions in the Kingdom based on, among others, the size and scope of its business and the scale of its established and growing customer base.

The awards and credits granted to the Company in recent years are proof of the quality of the brand and its services. The company believes that this unique brand identity will help it maintain its position in the market and enhance its business (for more information on the Company's some recent awards, see Section 4.8.7 ("**Awards**") of this Prospectus).

4.7.6 Economies of scale and competitive pricing

The Company is renowned in the market for providing competitive prices for its services. due to the volume and scale of the Company's business, it is able to negotiate better terms with key suppliers, allowing the Company to continue to offer competitive prices to its customers whilst at the same time maintaining healthy margins. In addition, the relative financial strength of the Company, compared to its peers, enables to the Company undertake implement large-scale projects, spanning multiple service lines and technologies over several years. For example, the Company achieved the highest rating from the Ministry of Municipality and Rural Affairs for service providers, which enables the Company to bid for large-scale government projects (for more information, please refer to Section 12 ("**Legal Information**")).

4.7.7 Qualified and experienced staff

The Company has an internal regulatory culture that promotes business ethics. The Company believes that human capital is the most important asset. Over the years, it has benefited from the experience of many of its highly skilled employees. Thanks to the continuous efforts and expertise of its employees, the Company has been able to create a sustainable business model. The team consists of certified IT engineers, qualified communications engineers, pre-sales service engineers, and account managers, all of which enhance the Company's value and business spirit in all ICT specialties and services. The Company has maintained good relations with its employees, and there are no threatening or imminent disputes (for more information, please refer to Section 4.11 ("**Staff**") of this Prospectus).

4.7.8 Local knowledge

One of the most important factors that contributed to the Company's growth is its deep knowledge and understanding of its client's business culture and working environment, whether in the public or private sector. This detailed knowledge and deep understanding enables the Company to deliver bespoke solutions to its customers, often by highly qualified and informed employees working directly with its customers. The suppliers also value the Company's deep local knowledge and understanding, allowing such suppliers to access to the Saudi market through the Company rather than establishing their presence in the Kingdom. This explains the well-established and mutually beneficial partnerships that the Company has fostered with its suppliers over time (for more information, please refer to Section 4.8.4 ("**Supplier Partnerships**")).

4.7.9 Asset light model

under its current business model, the Company markets, sells, customizes, integrates, and delivers after-sales services with regard to ICT products and services provided by third parties; the Company does not develop or own proprietary ICT products or services. This means that the Company's business model is not capital intensive. As of the first half of 2018G, the Company's total non-current assets amounted to SAR 10.9 million, equivalent to 1.2% of the total assets (SAR 914.8 million) for the same period.

The key advantage of keeping low capital costs is that it affords the Company flexibility to adapt to changes in the market (for more information, please refer to Section 4.8.8 ("**Future Projects**") of this Prospectus). As an additional benefit of this model, the Company does not take responsibility for customers' selection of software or configuration options. The Company is also not exposed to risks due to defects, obsolescence, or failure of the product as it is not a party to the end user license agreement ("**EULA**") with the customer. The EULA is concluded directly between the supplier and customers (for more information, please refer to Section 12 ("Legal Information") of this Prospectus for further information regarding the in terms of contractual relations between the Company and suppliers on the one hand and suppliers and customers on the other.

4.7.10 Growth opportunities in the market

The Company believes that the ICT sector is expected to grow at a steady pace in the next few years driven by:

- Development and growth of the Saudi economy
- Emergence of ICTs in light of Vision 2030 and Vision Realization Programs
- Increased awareness of cybercrime against the background of large data penetration operations
- The need to align business with the latest technologies (such as automation, robots, cloud computing, and artificial intelligence)
- Lack of readily available qualified staff across the ICT value chain

The Company believes that these developments are expected to contribute to the growth of the ICT sector in the future and due to its size and diverse service offerings, the Company is well-positioned to capitalize on this growth.

4.8 The Company's business

The Company operates as an end-to-end ICT solutions and services provider, delivering its portfolio of solutions and services through six integrated Business Units (the **Business Units**"), each covering an important segment of the ICT industry. Business Units operate in in light of an interdependent and robust environment to deliver comprehensive and integrated solutions with the highest standards of quality and excellence in the market. The Company currently operates in Riyadh, Dammam, and Jeddah, with its headquarters in Riyadh. Currently, the Company targets only institutional customers both in the public and private sectors and does not have any retail customers. As of 30/06/2018G, the Company has appointed 719 employees, with total revenues of SAR 395.5 million and a net income of SAR 13.5 million for the six-month period ended 30/06/2018G.

The Company's business portfolio has evolved over years with different products and services. This is both a reflection of the nature of the ICT industry which is fast changing and a testament to the Company's competent and dynamic management team, which has always been able to respond and align the Company's business to prevailing market trends. As of the date of this Prospectus, the Company has structured its business portfolio around the following six Business Units:

- **Solutions Unit**: The Solutions Unit offers a wide range of ICT solutions catering to various industry sectors, particularly utility, education, municipalities, healthcare and e-governance. It also helps build geographic data, train customer teams, configure tools and build end-user applications
- **System Unit**: The System Unit offers customers state of the art ICT infrastructure solutions and best of breed technologies in data centres and infrastructures through industry-leading vendors.
- **Business Services Management Unit**: It offers customers with solutions to improve IT efficiency and align ICT operations with the business objectives.
- **Operation and Maintenance Unit**: It acts as a supporting arm for the other five Business Units within the Company and provides customers with skilled manpower and maintenance services to meet their needs for qualified personnel.
- **Information Security Unit**: It provides customers with effective solutions for all 10 domains of IT security (for more information about the 10 domains, please refer to Section 4.8.2(e) ("Information Security Unit")), from personal tools to the level of applications.
- **Networking Unit**: It offers efficient and cost-effective network and communication solutions to customers based on the state of the art technologies.

4.8.1 Departments of the Company

The company is organized and managed into seven departments, consisting of the six Business Units and the seventh department called the Company's Management Department. The Company's Management Department is primarily responsible for developing and implementing plans related to the overall objectives of the Company and consists of the following supporting departments: Sales & Marketing, Finance, Purchasing & Logistics, HR & Administration and PMO (please refer to Section 4.9 ("Administrative Departments") of this Prospectus for further information on the supporting departments). It is worth mentioning that the Company's Management Department does not record any sales in the Company. The Management Department monitors the respective operational results of the seven departments for making decisions about resource allocation and performance assessment. The table below provides an overview of the key operating data for each reporting segment as of 30/06/2018G:

Table (4.12): Key operating data for each section as of 30/06/2018G

Section	Sales as of 30/06/2018G (SAR million)	% of Total	Gross profit (SAR million)	Costs (SAR million)	Gross profit margin (%)	Total assets as of 30/06/2018G (SAR Million)	% of Total	Total liabilities as of 30/06/2018G (SAR million)	% of Total
Solutions Unit	99,2	25,1	9,2	90,0	9,3	Nil	Nil	Nil	Nil
System Unit:	79,3	20,1	7,9	71,4	10,0	Nil	Nil	Nil	Nil
Business Services Management Unit	45,7	11,5	11,8	33,9	25,8	Nil	Nil	Nil	Nil
Operations and Maintenance Unit	62,4	15,8	4,6	57,8	7,4	Nil	Nil	Nil	Nil
Information Security Unit	61,0	15,4	6,7	54,3	11,0	Nil	Nil	Nil	Nil
Networking Unit	48,0	12,1	6,3	41,7	13,1	Nil	Nil	Nil	Nil
Company's Management*	Nil	Nil	Nil	Nil	Nil	914,7	100,0	754,4	100,0
Total	**395,5**	**100.0**	**46,4**	**349,1**	**11,7**	**914,7**	**100,0**	**754,4**	**100,0**

Source: The Company

**Company's Management is not a separate Business Unit, but a separate section for management purposes.*

4.8.2 The Company's business

The following sections of the Prospectus provide further information on each of the six Business Units operated by the Company.

(A)Solutions Unit

The Solutions Unit offers a wide range of business and software solutions, as well as geospatial and information technology solutions, to meet the needs of many government, service, and industrial sectors, particularly the following: Central government, Utility, Education, Municipalities, Healthcare and E-governance. The Company has partnered with internationally renowned companies and leveraged on their international expertise, coupled with the Company's own extensive knowledge of local businesses, to deliver state of the art solutions. The Solutions Unit succeeded in implementing an advanced and robust range of applications and geospatial systems and solutions that enables customers to effectively manage many of its activities and achieve seamless integration and data management across their assets and resources.

The Solutions Unit offers the following key solutions and services:

- E-government and E-services
- Banking solutions and services
- Hospital information systems
- ID and passport issuing solutions
- Asset management solutions
- Enterprise automated vehicle tracking (AVL) solutions

- Dispatch and field team automation solutions
- GIS solutions for infrastructure assets management

Sales of the Solutions Unit reached SAR 99,2 million in the first half of 2018G, equivalent to 25.1% of the Company's total sales, making it the largest Business Unit in the Company.

(B) System Unit:

The **System Unit** offers customers state of art ICT infrastructure solutions and best of breed technologies in data centres and infrastructures through industry-leading vendors. It provides a wide range of systems integration services that involve total IT solutions including hardware, network and software implementations. The **System Unit's** highly qualified pre-sales team has experience in understanding its customer's requirements and giving cost effective solutions that increase effectiveness, efficiency, adaptability and growth.

The System Unit offers the following key solutions and services:

- **Storage**: Enterprise scale storage systems, software defined storage, and converged storage.
- **Servers**: Server infrastructure management, including racks & power infrastructure, rack & tower servers, mission critical, blade system, and hyper scale data systems
- **Software**: Mobile software, integrated portfolio, bid data & analytics, automation and cloud, app and desktop virtualization, application lifecycle management, data centre and cloud management, desktop virtualization and mobile computing, and data centre virtualization and cloud infrastructure.
- **Networks**: Predominantly wireless based solutions on Aruba Systems
- **Data centre infrastructure services.**
- **Integration and support services.**

Sales of the **System Unit** amounted to SAR 79,3 million in the first half of 2018G, accounting for 20.1% of the total sales of the Company.

(C) Business Services Management Unit

The Business Services Management Unit offers customers with solutions to improve IT efficiency and align IT operations with business objectives. It is equipped with specialized software tools and highly experienced certified personnel who provide tailored solutions to customers. The Business Services Management Unit provides applications, processes, and controls to IT and related processes data centres that improve IT efficiency and align IT operations with business objectives, including smarter applications, faster processes and stronger controls to IT and related processes data centres.

The Business Services Management Unit offers the following key solutions and services:

- Mainframe cost optimization and performance monitoring.
- Remote support solutions and network management solutions.
- IT business management and IT service management.
- Cloud computing and data centre automation.
- Data centre infrastructure and management solutions.
- Data centre capacity and management.

Sales of the System Unit amounted to SAR 45,7 million in the first half of 2018G, accounting for 11.5% of the total sales of the Company.

(D) Operation and Maintenance Unit

The Operation and Maintenance Unit supports and maintains the Company's various projects throughout the Kingdom. The Operations and Maintenance Unit has project managers with the necessary expertise, knowledge, and experience to implement and maintain critical IT infrastructure for its customers. Through its team of highly skilled employees and in cooperation with the customer's in-house IT department, the Operations and Maintenance Unit manages, maintains, and upgrades the software, hardware, and network infrastructure of its customers under service level agreements with customers and through on-site deployment of skilled employees.

The Operation and Maintenance Unit is highly competitive due to pricing pressures. In such an environment, the business carried on by the Operation and Maintenance Unit can be subject to fluctuations with periods of high/low volumes of business as the Company wins or loses projects. The Company applies an efficient model to optimize its employment if such changes occur in the volume of business. If a new project is awarded to the Company, it will appoint the Operation and Maintenance staff from the incumbent service provider's employment at the time, rather than outsourcing staff. Upon expiration or renewal of the relevant project, if the Company is not selected as the service provider, the Company will either terminate the employees or they will be transferred to the new service provider. By implementing this model, the Company ensures that its employee head count is always aligned to the number of projects and the business volumes of the Operation and Maintenance Unit. The table below charts the employee head count of the Operation and Maintenance Unit in the period 2015G to 30/06/2018G. As the Operation and Maintenance Unit has experienced growth during this period, the Company has increased its employee head count as it has secured new projects.

Table (4.13): Operation and Maintenance Unit employees versus number of projects for the period 2015G to 30/06/2018G

2015G		2016G		2017G		30/06/2018G	
No. of employees	No. of projects	No. of employees	No. of projects	No. of employees	No. of projects	No. of employees	No. of projects
496	31	568	29	626	26	582	19

Source: The Company

Sales of the Operation and Maintenance Unit amounted to SAR 62,4 million in the first half of 2018G, accounting for 15.8% of the total sales of the Company.

(A)Information Security Unit

The Information Security Unit offers effective solutions for all 10 domains of IT security, from personal tools to the level of applications. The 10 domains of IT include:

Domain 1: Information security and risk management

Domain 2: Access control

Domain 3: Digital encryption

Domain 4: Security and design engineering

Domain 5: Telecommunication and network security

Domain 6: Software security development

Domain 7: Business continuity and disaster recovery planning

Domain 8: Compliance with information security laws and regulations

Domain 9: Physical protection of facilities

Domain 10: Operational protection including procedures

Companies and government agencies show an increasing interest in IT security as a result of information security penetration incidents supported by countries. In the typical corporate organization structure, IT security now operates as a stand-alone division reporting to the CEO rather than as a sub-division within the IT department. This shift is expected to generate further business for the Information Security Unit.

The Information Security Unit has the necessary expertise that customers are looking for in terms of security governance, current technologies, and best practice in the sector. The Unit also has a distinguished team of advisors to provide customers with an assessment of their current infrastructure, assessments, and recommendations to ensure access to best practices and safe implementation methods.

The Information Security Unit continuously maintains, reviews, and updates its solutions in collaboration with industry leading vendors. The information security system is dynamic and its agility and flexibility allows the Information Security Unit to realign itself to offer industry leading solutions with only the strongest vendor partnerships.

The Information Security Unit offers the following key solutions and services:

- Secure emails / correspondence.
- Data-at-rest encryption.
- WAN encryptors.
- Multi-factor authentication.
- Firewalls.

- Digital IDs, PKI, digital signatures.
- Secure web portals.
- Smart cards and USB codes
- Content security & management
- Data leakage prevention
- Real-time database security & compliance
- Password auto repository (password management)
- End-point and multi-layered protection
- Governance, risk, and compliance management
- Identity & access management
- Security information & event management
- Virus & SPAM management systems
- Fraud detection & management
- Electronic funds/data transfer security
- Gateway security solutions
- Vulnerability management solutions
- Host and network IDS/IPS
- Enterprise database encryption & key management session.

Sales of the Information Security Unit amounted to SAR 61,0 million in the first half of 2018G, accounting for 15.4% of the total sales of the Company.

(B) Networking Unit

The Networking Unit offers efficient and cost-effective network and communication solutions based on the latest technologies. The Networking Unit boasts a team of Cisco's highly qualified, certified and experienced experts in networks with over 100 years of collective industry knowledge and over 1,000 implemented projects. This depth and breadth of experience enables the Networking Unit to develop the right solutions with increased focus on cutting-edge technologies for its customers.

The Networking Unit offers the following key solutions and services:

- Networks security
- Unified communication
- Routing & switching
- Wireless services
- Datacentre
- Building management / SMART building.
- WAN performance optimization.
- Consultancy
- Design
- Delivery
- Implementation
- Project Management
- Operation
- Support

Sales of the Networking Unit amounted to SAR 48,0 million in the first half of 2018G, accounting for 12.1% of the total sales of the Company.

4.8.3 Customers

The Company has a diverse customer base in the public and private sectors, targeting only corporate customers, and has no business in the retail sector.

During the first half of 2018G, the company's sales to government and semi-government customers and private sector customers were as follows:

- Government customers' sales accounted for 59% (SAR 234,7 million) of the Company's total sales.
- Semi-government customers' sales accounted for 9% (SAR 34,2 million) of the Company's total sales.
- Private customers' sales accounted for 32% (SAR 126,6 million) of the Company's total sales.

Government and semi-government customers directly include ministries, while directly or indirectly including government agencies and state-owned companies, or government-controlled companies through their ownership or ability to appoint directors.

The table below provides the key information for the Company's public and private customers at the Company for the years 2015G, 2016G, and 2017G and for the six-month period ended 30/06/2018G:

Table (4.14): The Company's key customers during the years 2015G, 2016G, and 2017G and the six months ended 30/06/2018G

Customer	Department	Business Units	Sales (SAR million) 2015G - 30/06/2018G	Percentage of the total sales of the Company for the years 2015G - 30/06/2018G
Saudi Aramco	Semi-government	E-Services Unit, Solutions Unit, Information Security Systems Unit, Networking Unit, and Systems Unit	149.9	5.7%
MOMRA	Government	E-Services Unit, Solutions Unit, Information Security Systems Unit, Networking Unit, and Systems Unit	140.3	5.4%
Saudi Telecom Company	Semi-government	E-Services Unit, Solutions Unit, Information Security Systems Unit, Networking Unit, and Systems Unit	128.5	4.9%
Advanced Electronics Company*	Semi-government	E-Services Unit and Solutions Unit	120.1	4.6%
Imam Mohammad Ibn Saud Islamic University	Government	E-Services Unit, Solutions Unit, Information Security Systems Unit, Networking Unit, and Systems Unit	108.7	4.2%
Holy Makkah Municipality	Government	E-Services Unit, Solutions Unit, Information Security Systems Unit, Networking Unit, and Systems Unit	91.2	3.5%
Abdul Latif Jameel Company Limited	Private Sector	Solutions Unit	82.9	3.2%
Al-Rajhi Bank	Banking	E-Services Unit, Information Security Systems Unit, Networking Unit, and Systems Unit	65.7	2.5%
Riyad Bank	Banking	E-Services Unit, Information Security Systems Unit, Networking Unit, and the Systems Unit	48.8	1.9%
Arab National Bank	Banking	E-Services Unit, Information Security Systems Unit, Networking Unit, and Systems Unit	44.3	1.7%
		Total:	**980.5**	**37.6%**
		Total sales of the Company for the years 2015G - 30/06/2018G	**2,609.1**	**100.0%**

** The Advanced Electronics Company subcontracts the execution of government projects awarded to the Company*

Source: The Company

During the years 2015G, 2016G, and 2017G, and for the six months ended 30/6/2018G, the Company's key customers from the public and private sectors encompassed 37.6% (SAR 980.5 million) of the Company's total sales. The Company also has a number of strategic customers who have been operating for over 10 years and who provide the Company with large permanent work across multiple Business Units (for more information, please refer to Section 4.7.3 ("**Steady customer base**")). Section 12 ("**Legal information**") of this Prospectus sets out a summary of the material contracts between the Company and its key customers.

4.8.4 Supplier Partnerships

Under its current business model, the Company markets and sells the ICT products and solutions of international companies; it does not develop or own its own proprietary ICT products or solutions. The Company therefore has longstanding relationships with leading vendors across its Business Units (for more information, please refer to Section (4.6.3 (E)) "**Further strengthening supplier partnerships**" of this Prospectus).

The Company is able to obtain competitive pricing from its key suppliers due to its privileged status, which was achieved by satisfying qualitative and quantitative criteria. The privileged status is subject to periodic evaluation, typically carried out every year. Supplier partnerships are non-exclusive, which affords the Company greater flexibility to offer products and solutions tailored to the customer's specifications, and at times, this may require the Company to procure products and services from its non-strategic suppliers.

During the years 2015G, 2016G, and 2017G and the six months ended 30/06/2018G, the total cost of sales from the Company's key five suppliers was 60.7% (SAR 1,353.7 million) of its total sales costs. The table below provides key information on the Company's top five suppliers.

Table (4.15): The five key suppliers of the Company in terms of percentage of total sales costs during the years 2015G, 2016G, and 2017G and the six months ended 30/06/2018G

Supplier	Description	Classification*	Business Unit	Cost (SAR million) 2015G - 30/06/2018G	% of total
Oracle Services	Software/ Applications	Platinum	Solutions Unit	662.6	29.7%
Cisco	Networks/Security	Gold	Networking Unit	224.1	10.1%
Hewlett-Packard International	Servers/Storage	Platinum	Systems Unit	190.5	8.5%
BMC	Software	Gold	Business Services Management Unit	155.1	7.0%
Star Link	Distribution	N/A	Information Systems Unit	121.4	5.4%
			Total:	**1,353.7**	**60.7%**

Source: The Company

* *Supplier partnerships are classified based on the following criteria: (1) number of employees who have been trained and passed supplier's technology tests, noting that there is a minimum level of staff and specialization for each level partnership rating; (2) the value of the business carried out with the supplier, where each level of partnership requires a minimum level of business, and (3) sometimes the supplier requests that the Company have a demo and trial system (Demo Kit).*

Section 12 ("Legal information") of this Prospectus sets out a summary of the contracts between the Company and its key suppliers.

4.8.5 Associates

The Company has a 50% direct interest in three associates located in Lebanon, British Virgin Islands (BVI), and Saudi Arabia. All three associates operate in the ICT sector. The Company's investments in the associates are accounted for using the equity method of accounting. An associate is an entity in which the Company has a significant influence (through its 50% shareholding), but which is neither a subsidiary nor a joint venture. The Company's investment in the three associates is not essential to its business; in the first half of 2018G, the Company's total share of income in the three associates was SAR 0.2 million, against a total net income of SAR 13.5 million for the same period. The table below provides a summary of the Company's investment in the three associates as of 30/06/2018G:

Table (4.16): Summary of the Company's investment in associates as of 30/06/2018G

The Company	Country	Direct shares of the Company	Other shareholders	Company's share of income (SAR million)
Edarat Group S.A.L	Lebanon	50%	• Adel Fouad Rizk (16.667%) • Erick Ernest Albadawi (16.667%) • Ghassan Adel Alkhazen (16.667%)	0.2
Phoenicia Tech.	British Virgin Islands	50%	• Adel Fouad Rizk (16.668%) • Erick Ernest Albadawi (16.666%) • Ghassan Adel Alkhazen (16.666%)	0.0
Edarat Co. for Communication & Information Technology (Edarat CIT)	The Kingdom of Saudi Arabia	50%	• Adel Fouad Rizk (16.660%) • Erick Ernest Albadawi (16.660%) • Ghassan Adel Alkhazen (16.680%)	0.0
			Total:	**0.2**

Source: The Company

The Company subcontracts the post-sales implementation and project management of certain projects it is awarded to Edarat Co. for Communication & Information Technology (please refer to Section 12 ("Legal Information") of this Prospectus for more information), which is related to material agreements between the Company and its associates.

4.8.6 Insurance

The Company currently has comprehensive insurance coverage, including but not limited to, public liability, product liability, and a medical insurance policy for the Company's employees. The potential risks that the Company may be exposed to are followed up through periodic risk studies conducted by the Company in cooperation with the insurance and reinsurance companies that the Company deals with.

4.8.7 Awards

In recognition of the quality of the brand and the services provided, the Company has received a number of awards from its key suppliers, some of which are summarized below.

Table (4.17): Awards won by the Company from its suppliers for the period 2015G-30/06/2018G

Supplier	Award Description	Year
Hewlett-Packard Company (HP)	HP Cloud Partner of the Year	2015G
Oracle	Oracle Excellence Awards, Specialized Partner of the Year: Oracle-on-Oracle	2015G
Palo Alto	Enterprise Surety Partner 2015G	2015G
GEMALTO	In recognition of year 2015G outstanding performance	2015G
Starlink	Partner Appreciation Award from IT Security Strategy	2016G
Oracle	Oracle Excellence Awards, Specialized Partner of this year: Engineered Systems - EMEA	2016G
Oracle	PaaS Cloud Transformation Partner of this year for Gulf States and Saudi Arabia	2016G
Oracle	IaaS Cloud Partner of the Year for Gulf States and Saudi Arabia	2016G
VM WIRE	Solution Provider Premier Partner in Delivering VM WIRE Virtualization Solutions	2017G
Symantec	Highest Reach Award in KSA	2017G
Oracle	Partner of the year "Systems" FY18, Gulf States & Saudi Arabia	2017G

Supplier	Award Description	Year
Aruba	Growth Partner of the Year	2017G
Palo Alto	Award for Platinum Partnership	2017G
Starlink	Outstanding Retailer Award of Excellence in IT Security Focus	2017G
McAfee	Middle East Top Partner of the Year	2017G
Citrix	Top Citrix Managed Partners in EMEA	2017G
Cisco	Architecture Excellences Security Partner of the Year Cisco	2017G
BMC	EMEA Emerging Markets DSO Partner of the Year	2018G
Oracle	Partner of the year "Infrastructure as a Service (IaaS)" FY18, Gulf States & Saudi Arabia	2018G
Cisco	Strategic Analytic Award of Titration	2018G

Source: The Company

4.8.8 Future projects

(A) New headquarters

In December 2017G, the Company purchased a plot for SAR 8.1 million to construct a headquarter for this purpose. The plot is located in Al-Sahafa District in Riyadh and the Company is currently in the process of applying for the relevant building and planning permits. The total cost of this project is estimated at SAR 15.0 million, to be financed through a commercial facility provided by Banque Saudi Fransi and the Company's resources. Construction work commenced in August 2018G. It is expected to be completed by the end of 2019G.

(B) New Business Units

The company has identified three new and emerging business lines in the ICT sector to maintain its position as an integrated ICT service provider. The Company has completed initial feasibility studies and proposes to launch the following additional Business Units:

- Digital Unit: It predominantly focuses on providing digital transformation services for customers and helps transfer their businesses to cloud computing services.
- Smart Cities and IoT Services Unit: It focuses on the opportunities arising around smart services in cities and energy efficiency.
- Industrial and National Security Unit: It explores security in industrial facilities and national siren projects, which are currently underway.

The Company will establish one or more of these Business Units depending on the number and size of the projects that come to market and which are successfully awarded to the Company. The Company is of the view that the costs for recruiting and employing suitable staff will be the only material capital cost if was to introduce these Business Units into its portfolio.

4.9 Administrative Departments

The Company has a number of administrative departments that support its various business activities. All the administrative departments other than Sales & Marketing are centralized and operated out of the Company's headquarters in Riyadh. Meanwhile, the Company has a dedicated Sales & Marketing team in all three locations where it conducts its business: Riyadh, Khobar, and Jeddah.

Set out below is a brief description of the activities of the Company's key administrative departments:

4.9.1 Sales & Marketing

The Sales & Marketing Department is responsible for managing and monitoring sales, liaising with customers, and undertaking promotional and marketing activities on behalf of the Company. The Company has a dedicated a Sales & Marketing team in each of its three locations: Riyadh, Khobar, and Jeddah. The functions of this team include:

- Preparing and submitting reports to the management on the analysis of sales and conducting periodic pricing studies in order for the Company to remain competitive.
- Renewing customer contracts and undertaking regular consumer feedback and remedying any issues.
- Establishing and maintaining effective communication with customers.

- Performing regular reviews of receivables, providing effective support in making timely collection of settlement of due amounts from customers and following up on overdue amounts until settled.
- Conducting business studies and analysis to identify and pursue commercially viable new opportunities and initiatives.
- Reviewing complaints and feedback received from customers and preparing analysis and reports in coordination with the Operations teams to respond to customers and implement corrective measures to avoid recurrences.

4.9.2 Finance, Procurement, and Logistics

The Finance, Procurement, and Logistics Department is responsible for keeping accounts, issuing reports, and delivering financial statements, as well as enforcing internal financial control systems across the Company, safeguarding the Company's financial assets and providing accurate financial information in a timely manner. In particular, this includes:

- Managing the financial reporting process, ensuring that financial information is reported in an accurate and timely manner, setting out accounting policies and procedures, and ensuring compliance with relevant regulatory requirements.
- Managing and coordinating the financial planning process, supporting the Company's Senior Management in setting financial strategies, converting agreed strategies into financial plans, and reviewing the plans of the Company's departments to ensure efficiency, accuracy and alignment with the agreed strategies.
- Ensuring availability of sufficient funds and liquidity and managing and optimizing working capital requirements to meet the Company's current and future plans and obligations, including by developing and measuring key performance indicators for the Company's activities and performance, and providing recommendations in connection therewith.
- Developing and improving the Company's internal audit systems, policies and procedures to safeguard the Company's assets, and ensuring efficient workflow and compliance with corporate governance requirements.
- Managing payments to suppliers and relationships with banks and preparing and filing Zakat and tax returns.
- Identifying and mitigating the Company's risks by ensuring that the Company's assets are covered by adequate insurance policies, reducing currency and interest rate risks, and close monitoring of credit risks.
- Qualifying and maintaining lists of preferred vendors and subcontractors, and sustaining relationships with them.
- Overseeing the invoice payment and letter of credit processes, including issuance of orders to allow release of payment to the Company's suppliers.
- Collaborating and liaising with internal and external auditors for conducting effective audits of the Company's financials and key processes.

4.9.3 Project Management Office (PMO)

The PMO is responsible for supervising and implementing the Company's various projects. In particular, the following:

- Monitoring project timelines, estimates, estimated budgets, requests for proposals, preliminary and other problems that may arise during the project life cycle.
- Monitoring and optimizing human resource deployment and utilization for each project.
- Assisting with selection and appointment of third parties and subcontractors.
- Supporting and monitoring project budgets (including addressing and resolving any budget overruns).
- Ensuring that all contracts entered into by the Company are satisfactorily complied with and paid in a timely manner and raising and resolving disputes and change orders with the Company's suppliers and customers.

4.9.4 Human Resources (HR) Department and Administration

The Human Resources Department & Administration is responsible for recruiting and hiring, appointing, developing, and retaining employees, determining their compensation, and managing employee relations. In particular, this includes:

- Organizing training courses and programs to prepare qualified staff in line with the Company's recruitment requirements.
- Employing highly qualified, trained, and experienced staff to meet the Company's staffing needs.
- Developing and preparing job descriptions, a grading system, and employment policies and procedures.
- Organizing and implementing orientation programs for newly appointed employees.
- Providing guidance and reviewing employee performance.
- Ensuring compliance with Saudization requirements, social insurance regulations, and other relevant regulations.
- Following up on employee affairs and overcoming the difficulties and problems that may face them.

- Supporting the welfare of employees through organizing social activities and providing medical insurance and other relevant services.

4.10 Business Continuity

Members of the Board of Directors acknowledge that there has been no interruption or suspension of the business of the Company or its associate companies during the last twelve months that has or might have a significant effect on the Company's financial position.

4.11 Employees

As of 30/06/2018G, the Company, across all its branches, had 719 employees; 273 (38%) are Saudi nationals and 446 (62%) are non-Saudi nationals. The following section of this Prospectus below provides a branch-wide breakdown of the employee data by nationality, Saudization percentages, and Nitaqat ratings. The table below provides a breakdown of the Company's employees by activity and type:

Table (4.18): Details of employment at the Company during 2015G, 2016G, 2017G and the six months period ended 30/06/2018G.

Department	31/12/2015G				31/12/2016G				31/12/2017G				30/06/2018G			
	Saudis	Non-Saudis	Total	Saudization	Saudis	Non-Saudis	Total:	Saudization	Saudis	Non-Saudis	Total	Saudization	Saudis	Non-Saudis	Total:	Saudization
Executive team*	2	0	2	100%	2	0	2	100%	2	1	3	67%	1	4	5	20%
Board of Directors	3	0	3	100%	3	0	3	100%	3	0	3	100%	5	0	5	100%
Finance	7	15	22	32%	9	11	20	45%	10	13	23	43%	14	8	22	36%
Operations	203	320	523	39%	201	383	584	34%	202	428	630	32%	231	351	582	39%
Human Resources	15	11	26	58%	14	10	24	58%	15	10	25	60%	13	7	20	65%
IT	8	60	68	12%	2	64	66	3%	2	62	64	3%	8	60	68	13%
Sales	5	27	32	16%	8	26	34	24%	6	21	27	22%	7	20	27	26%
Total	**238**	**433**	**671**	**35%**	**234**	**494**	**728**	**32%**	**235**	**534**	**769**	**31%**	**273**	**446**	**719**	**38%**

Source: The Company

** They are not deemed as part of the total number of employees, and the members of the Board of Directors are not employed by the Company as Senior Management is selected from other divisions.*

4.11.1 Training

The strength and success of the Company can be attributed to the expertise and experience of its employees. It is the Company's policy to ensure that its staff have adequate qualifications and training in line with international standards and receive the necessary training to enable them to perform their duties and tasks effectively, efficiently, and safely. The Company offers a dedicated training program for its entire staff, which covers soft skills and technical aspects, as well as project management.

4.11.2 Saudization

The number of Saudi male and female employees at the Company reached 38% of the total manpower of the Company as of 30/06/2018G. The Company has been, and continues to be, fully committed to achieving the government's policy on Saudization. For this reason, training and the development of Saudi skills and capabilities are a high priority for the Company. The table below provides a summary of the employee data by nationality, Saudization percentage, and Nitaqat certification on a branch-wide basis.

Table (4.19): Employee breakdown per branch and Saudization as of 30/06/2018G

Location	Branch	Employees		Saudization (%)	Nitaqat sector	Nitaqat classification
		Saudi	Non-Saudi			
Riyadh	Headquarters	60	54	52%	IT	High Green
	Contracting branch	133	267	33%	Contracting, Maintenance and Operation	Medium Green
Khobar	IT branch	11	13	46%	IT	High Green
Jeddah	IT branch	28	32	47%	IT	High Green
	Contracting branch	41	80	33%	Contracting, Maintenance and Operation	Medium Green
	Total:	**273**	**446**	**38%**	**-**	**-**

Source: The Company

The Nitaqat Program has been adopted under the Minister of Labor's Resolution No. 4040 dated 12/10/1432H (corresponding to 10/09/2011G) based on the Council of Ministers' Resolution No. 50 dated 21/05/1415H (corresponding to 27/10/1994G) which came into force as of 12/10/1432H (corresponding to 10/09/2011G). The Ministry of Labor initiated the Nitaqat Program for the provision of incentives to institutions so that they employ Saudi citizens. This Program evaluates the performance of any institution based on certain categories, i.e. platinum, green (classified into three subcategories: low green, medium green, and high green), yellow, and red. Enterprises classified within the Platinum and Green categories are deemed in compliance with Saudization requirements and receive some specific benefits, e.g. enabling them to obtain or renew work visas for foreign employees or to change the profession of foreign employees. With respect to enterprises categorized as Yellow or Red (based on the non-compliance of such enterprises), these are deemed noncompliant with the Saudization requirements and are subject to penalty actions, such as limiting their ability to renew work visas for foreign employees or disenabling them to obtain work visas for foreign employees or renewal thereof.

For the Company's categorization under Nitaqat, please see Table (4.18) above ("Details of employment at the Company during 2015G, 2016G, 2017G and the six months period ended 30/06/2018G").

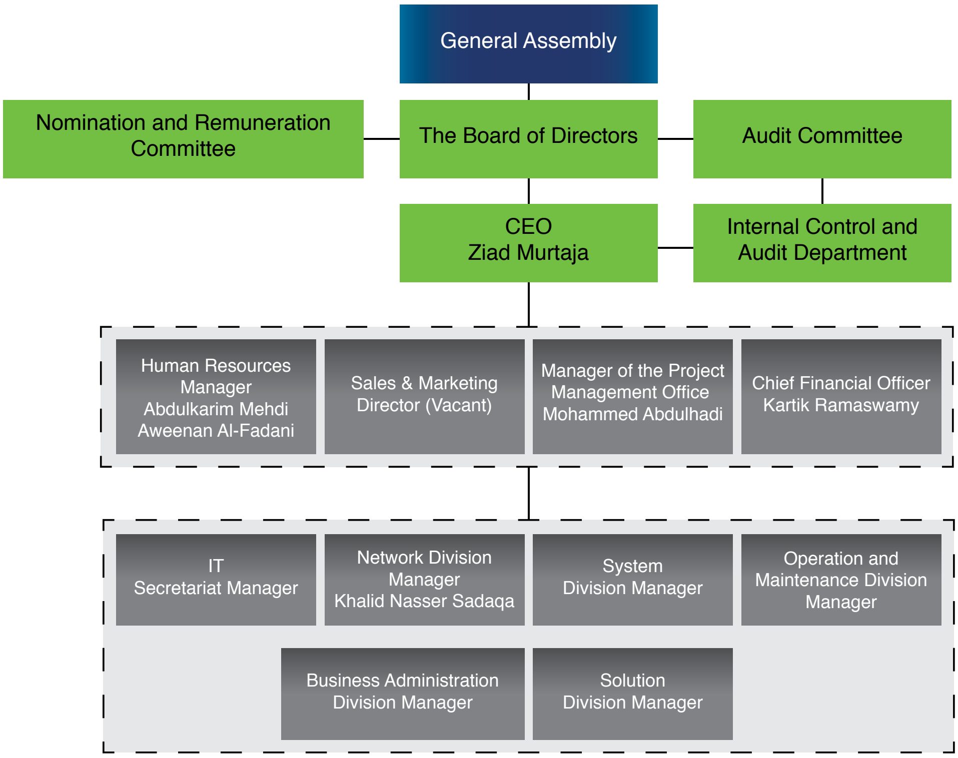
5. Organizational Structure and Governance of the Company

5.1 Organizational Structure

The Shareholders of the Company delegate responsibility for the overall direction, supervision, and control of the Company to the Board of Directors The Board of Directors assigns the responsibility of managing the Company's daily business to the Company's Senior Management, especially the Chief Executive Officer (CEO).

The following chart outlines the Company's organizational structure:

Figure 5.1: Organizational Structure of the Company



The following table states the Company's ownership structure (pre and post Offering):

Table (5.1): The shareholding structure of the Company pre and post Offering

Shareholders	Pre-Offering			Post-Offering		
	No. of Shares	Nominal Value (SAR)	Direct Ownership (%)	No. of Shares	Nominal Value (SAR)	Direct Ownership (%)
Ibrahim Abdullah Al Moammar	5,530,305	55,303,050	34.56%	3,871,212	38,712,120	24.20%
Khaled Abdullah Al Moammar	5,050,305	50,503,050	31.56%	3,535,213	35,352,130	22.10%
Ibtisam Suleiman Al-Nasser	68,800	688,000	0.43%	48,160	481,600	0.30%
Abdullah Khaled Al Moammar	68,800	688,000	0.43%	48,160	481,600	0.30%
Saud Khaled Al Moammar	68,800	688,000	0.43%	48,160	481,600	0.30%
Najlaa Khaled Al Moammar	68,800	688,000	0.43%	48,160	481,600	0.30%
Lawulua Khaled Al Moammar	68,800	688,000	0.43%	48,160	481,600	0.30%
Al-Anoud Khaled Al Moammar	68,800	688,000	0.43%	48,160	481,600	0.30%
Dalal Khaled Al Moammar	68,800	688,000	0.43%	48,160	481,600	0.30%

Shareholders	Pre-Offering			Post-Offering		
	No. of Shares	Nominal Value (SAR)	Direct Ownership (%)	No. of Shares	Nominal Value (SAR)	Direct Ownership (%)
Abdullah Muhammad Al Moammar	704,000	7,040,000	4.40%	492,800	4,928,000	3.08%
Khaled Mohammed Al Moammar	704,000	7,040,000	4.40%	492,800	4,928,000	3.08%
Fahd Mohammed Al Moammar	704,000	7,040,000	4.40%	492,800	4,928,000	3.08%
Abdul-Aziz Mohammed Al Moammar	704,000	7,040,000	4.40%	492,800	4,928,000	3.08%
Mansour Mohammed Al Moammar	704,000	7,040,000	4.40%	492,800	4,928,000	3.08%
Maha Ibrahim Al Khayyal	555,498	5.554,980	3.47%	388,848	3,888,480	2.43%
Huda Abdullah Al Moammar	98,758	987,580	0.62%	69,131	691,310	0.43%
Sarah Abdullah Al Moammar	98,758	987,580	0.62%	69,131	691,310	0.43%
Fatima Abdullah Al Moammar	98,758	987,580	0.62%	69,131	691,310	0.43%
Dalal Abdullah Al Moammar	98,758	987,580	0.62%	69,131	691,310	0.43%
Lamiaa Abdullah Al Moammar	98,758	987,580	0.62%	69,131	691,310	0.43%
Fahdah Muhammad Al Moammar	368,502	3,685,020	2.30%	257,952	2,579,520	1.61%
The public	N/A	N/A	N/A	4,800,000	48,000,000	30.00%
Total:	**16,000,000**	**160,000,000**	**100%**	**16,000,000**	**160,000,000**	**100%**

Source: The Company

5.2 Board of Directors and Secretary of the Board

5.2.1 Formation of the Board

The Board of Directors comprises five members who are appointed by the General Assembly through cumulative vote. The Companies Law, its implementation regulations, the Company's Bylaws, and the Company's internal governance regulations set out the mandate and responsibilities of the Board. The term of the members of the Board of Directors, including the Chairman, shall before a maximum of three years for each session.

The following table identifies the Board of Directors and the Secretary of the Board of Directors as of the date of this Prospectus:

Table (5.2): Board of Directors of the Company

Name	Position	Nation-ality	Membership Status	Direct Ownership		Indirect Ownership		Appointment Date
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Khaled Abdullah Al Moammar	Chairman	Saudi	Non-Executive	31.56%	22.10%	-	-	15/05/2016G
Ibrahim Abdullah Al Moammar	Vice Chairman of the Board	Saudi	Non-Executive	34.56%	24.20%	-	-	15/05/2016G
Abdullah Muhammad Al Moammar	Member	Saudi	Non-Executive	4.40%	3.08%	-	-	15/05/2016G
Faraj bin Mansour Abu Thuneen	Member	Saudi	Independent	-	-	-	-	05/03/2018G

Name	Position	Nation-ality	Membership Status	Direct Ownership		Indirect Ownership		Appointment Date
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Saleh Abdullah Al Dabasi	Member	Saudi	Independent	-	-	-	-	05/03/2018G

Source: The Company

Responsibilities of the Board of Directors

The Company shall be overseen by a Board of Directors comprising professionals with extensive experience. The Board shall be vested with all the requisite authorities enabling it to run the Company's business and oversee the Company's affairs. The Board assigns oversight of the Company's general daily business to the Senior Management. Certain authorities are assigned to the Company's committees, i.e. the Audit Committee and the Nomination and Remuneration Committee (collectively, "**the Committees**") as well as a number of other administrative divisions which assume the responsibility of handling a set of operational and business matters (for more information about the Company's administrative divisions, please refer to Section (4) "**Company**"). In addition, the Board reserves the right to form any number of committees it deems necessary for the effective governance, oversight, and operational management of the Company, or to delegate certain authorities to one or more members or to other parties. Final responsibility for the Company falls on the Board of Directors, regardless of any delegation made thereby.

The responsibilities of the Board of Directors, Chairman and Secretary of the Board of Directors, are as follows:

Board of Directors

The Board of Directors shall assume the following responsibilities:

- Developing plans, policies, strategies, and main objectives as well as developing, reviewing, and directing risk management policies and procedures.
- Setting the Company's optimal capital structure along with its strategy, and financial objectives, and authorizing budgets of different kinds.
- Supervising the Company's main capital expenditure and ownership and disposal of assets.
- Setting objectives of performance, implementation control, and comprehensive performance in the Company.
- Making periodical reviews of and approving the Company's organizational and functional structures.
- Ensuring availability of human and financial resources necessary to achieve the Company's main objectives and plans.
- Developing a written policy to remedy actual or potential conflicts of interests involving members of the Board of Directors and the Executive Management as well as the shareholders, including misuse of the Company's assets and facilities and misconduct resulting from transactions with related parties.
- Ensuring the integrity of the financial and accounting systems, including systems related to the preparation of the financial reports.
- Ensuring the implementation of control systems appropriate for risk management by forecasting the risks that the company could encounter and disclosing them with transparency to stakeholders and related parties.
- Reviewing the effectiveness of internal audit procedures annually.
- Developing clear and specific policies, standards, and procedures for membership and implementing them upon approval by the General Assembly.
- Develop written policies governing the relationship with stakeholders.
- Drawing up policies and procedures to ensure compliance of the Company and its Executive Management with laws and regulations and the obligation to disclose material information to shareholders and stakeholders.
- Supervising the Company's management of financial affairs, cash flows, and financial and credit relations with third parties.
- Offering its suggestions to the Extraordinary General Assembly with respect to:
  - Increasing or decreasing the Company's share capital.
  - Dissolving the Company before the expiry of the term set out in its Bylaws or deciding its continuance.
  - Amending the Company's Bylaws, except for the amendments deemed invalid under the provisions of the Companies Law.
- Offering its suggestions to the Ordinary General Assembly with respect to:
  - Using the Company's contractual reserve if created by the Extraordinary General Assembly and if not designated for a specific purpose.

- Creating additional financial reserves or provisions for the Company.
    - Method of distributing the Company’s net profits;
  - Developing the Company’s preliminary and annual financial statements and approving them before publication.
  - Preparing the Board of Directors’ report and approving it before publication.
  - Ensuring that the data and information needed to be disclosed is accurate and integrated. This shall be done in accordance with the applied policies and procedures of disclosure and transparency.
  - Ensuring that the data and information needed to be disclosed are accurate and integrated. This shall be done in accordance with the applied policies and procedures of disclosure and transparency.
  - Forming its specialized committees by virtue of resolutions in which the Board determines the term, authorities, and responsibilities of such committees and how to monitor them. The resolution to form committees shall include the designation of the members and the determination of their duties and rights, along with the assessment of performance and work of such committees and their members.
  - Determining types of compensation given to the employees, such as fixed compensations, and compensations related to performance as well as compensations in the form of shares in a manner consistent with the regulatory controls and procedures issued pursuant to the Company’s Bylaws.
  - Developing the principles and standards that govern the work of the Company.
  - Distributing responsibilities and duties as follows:
    - Adopting internal policies related to the Company’s work and development, including determining duties, terms of reference, and responsibilities assigned to different organizational levels.
    - Adopting written and detailed policies specifying the powers delegated to the Executive Management and a table showing such powers, implementation method, and authorization period. The Board of Directors may ask the Executive Management to submit periodic reports on the exercise of delegated powers.
    - Identifying issues in which only the Board of Directors is the only entity that has the authority to decide such issues.
  - Supervising the Executive Management: The Board of Directors shall form the Company’s Executive Management, regulate its function, monitor, supervise, and ensure the fulfilment of its functions. To this end, it shall:
    - Develop the necessary administrative and financial policies.
    - Ensure that the Executive Management functions in accordance with the policies adopted thereby.
    - Choose and appoint the Company’s CEO and supervise his or her duties.
    - Appoint or dismiss the Director of the Internal Audit Unit/Department or the External Auditor and propose his remuneration, as well as the Director of the Risk Unit/Department.
    - Hold periodical meetings with the Executive Management to discuss the course of business and the obstacles and problems faced by it and review and discuss important information about the Company’s activity.
    - Establish performance standards for the Executive Management in line with the Company’s objectives and strategy.
    - Review and evaluate the performance of the Executive Management.
    - Develop plans for succession in the Company’s management.

Chairman of Board of Directors

The Chairman of Board of Directors shall assume the following responsibilities:

- Promoting a constructive relationship between the Board of Directors and Senior Management, and Executive and Non-Executive Board members.
- Ensuring Board members’ timely access to full, clear, correct and non-misleading information.
- Ensuring that the Board discusses all the main issues in an efficient and timely manner.
- Representing the Company before third parties, in accordance with the Companies Law, its implementing regulations, and the Company’s Bylaws.
- Encouraging the members to perform their functions effectively and to achieve the Company’s interest.
- Creating effective communication channels with shareholders and making their opinions heard to the Board.
- Encouraging constructive relations and active participation between the Board, Executive Management, and between the Executive members, Non-Executive members and independent members, in order to create a culture that encourages constructive criticism.
- Preparing an agenda for Board meetings, taking into account any matter raised by a member or Auditor and holding consultations with the Board members, CEO, and Secretary upon preparing the agenda.

- Holding periodic meetings with Non-Executive members, without the attendance of any Executive members.
    - Notifying the General Assembly, when convened, of the activities and contracts in which a Board member may have a personal direct or indirect interest, provided that such notice shall include the information reported by the member to the Board, and attach to such notification a special report prepared by the Company's Auditor.

Secretary of the Board of Directors

The Board Secretary shall assume the following responsibilities:

- Documenting the meetings of Board of Directors, and preparing their minutes, including discussions, deliberations, place, date, beginning, and end of the meeting, while documenting and recording the decisions of the Board, and voting results in a special and organized register together with description of names of attending Board members and their objections made by them, if any. These minutes shall be signed by all attending members.
- Saving reports presented to the Board of Directors as well as other reports prepared thereby.
- Providing members with the Board's agenda, working papers, documents, information, and any additional documents or information requested by any of the members in relation to the topics of the meeting's agenda.
- Ensuring members observe meeting appointments prior to the date specified.
- Providing the full draft minutes to the members promptly, before they are approved and signed.
- Coordinating between the members.
- Organize the disclosure record of the members and the Executive Management.
- Providing assistance and advice to members.

5.2.2 Service Contracts with Board Members

There are no service contracts entered into between Board members and the Company.

5.2.3 Biographies of Board Members and the Board Secretary

The experience, qualifications, and the current and other positions of each of the Board members and the Secretary are set out below:

Khaled Abdullah Al Moammar, Chairman

Nationality	Saudi
Age	63 years
Academic Qualifications	Bachelor of Industrial Engineering and Management, University of Washington, Seattle, Washington, USA, 1980.
Appointment Date	15/05/2016G
Current Positions	• Chairman of the Board of Directors, Edarat, a mixed limited liability company engaged in the execution of contracts of services for the preparation, development, and maintenance of systems, since 2008G. • Board member, Esri Saudi Arabia, a mixed limited liability company engaged in the execution of contracts for the installation, operation, and maintenance of systems and networks, since 2011G. • Board member, Electronic Maps Trading Company, a limited liability company engaged in in the field of import and export, wholesale, and retail, since 2012G. • Board member, Basic Chemicals Company, a listed public joint stock company engaged in the chemical industry used in oil and gas processing, since 2016G. • Board member, Saudi Industrial Gas Co., a closed joint stock company engaged in the field of establishing factories and oil and gas services, since 2017G.
Previous Positions	• CEO, Al Moammar Information Systems Company, from 1983G to 2017G. • Project Manager, SIDF, a governmental organization engaged in the field of financing industrial projects, from 1981G to 1983G.

Ibrahim Abdullah Al Moammar, Vice-Chairman

Nationality	Saudi
Age	51 years
Academic and Professional Qualifications	Bachelor of Business Administration, King Saud University, KSA, 1991G.
Appointment Date	15/05/2016G
Current Positions	• Board member, Edarat, a mixed limited liability company engaged in the execution of contracts of services for the preparation, development, and maintenance of systems, since 2008G. • Chairman, Electronic Maps Trading Company, a limited liability company engaged in in the field of import and export, wholesale and retail, since 2012G. • Board member, Esri Saudi Arabia, a mixed limited liability company engaged in the execution of contracts for the installation, operation, and maintenance of systems and networks, 2011G.
Previous Positions	• Executive Vice-Chairman, Al Moammar Information Systems Company, from 1994G to 2017G. • Board member, Saudi Industrial Gas Co., a closed joint stock company engaged in the field of establishing factories and oil and gas services, from 2004G to 2017G.

Abdullah Muhammad Al Moammar, Board Member

Nationality	Saudi
Age	37 years
Academic and Professional Qualifications	Bachelor of Project Management, Rice University, USA, Orlando, 2012G.
Appointment Date	15/05/2016G
Current Positions	• General Manager, Emaar Information and Communications Technology Corporation engaged in the field of ICT, since 2017G.
Previous Positions	• Customer Services Officer, Samba, and a financial institution, from 2003G to 2005G. • Director of Human Resources, Al Moammar Information Systems Company from, from 2006G to 2015G.

Faraj bin Mansour Abu Thuneen, Board Member (Independent)

Nationality	Saudi
Age	64 years
Academic and Professional Qualifications	• Bachelor of Industrial Management, Milwaukee School of Engineering, Milwaukee, USA, 1981G. • Course, Chase Manhattan Bank, Financial Analysis and Assessment, New York, USA, 1983G.
Appointment Date	05/03/2018G
Current Positions	• Board member, Astra Industrial Group, a listed joint stock company engaged in the establishment, management, operation, and investment in industrial facilities, since 2009G. • Board member, National Petrochemical Company (Petrochem), a listed joint stock company engaged in the development, establishment, operation, management, and maintenance of petrochemical plants, since 2009G.
Previous Positions	• Board member, National Shipping Company of Saudi Arabia, a listed public shareholding company engaged in the field of maritime transport, from 2007G to 2016G. • Board member, Bawan, a public shareholding company engaged in the manufacture of metal, wood, concrete, and electrical products, from 2014G to 2016G.

Saleh Abdullah bin Yahya Al Dabasi, Board Member (Independent)

Nationality	Saudi
Age	61 years
Academic and Professional Qualifications	Bachelor of Geography, Imam Muhammad Bin Saud University, Saudi Arabia, 1981G. MBA, University of Pittsburgh, Pennsylvania, USA, 1987G.
Appointment Date	05/03/2018G
Current Positions	• Director, National Shipping Company of Saudi Arabia (Bahri), a listed shareholding company (Representative of the Public Investment Fund) operating in maritime transport, since 2008G. • Director, Tatweer Education Holding Company, a closed joint stock company operating in educational development since 2016G.
Previous Positions	• Secretary of the Ministry of Finance, a governmental institution responsible for the preparation of the state budget from 1980G to 2017G.

Amjad Mohammed Amin, Board Secretary

Nationality	Sudanese
Age	42 years
Academic and Professional Qualifications	Bachelor of Law, University of Khartoum, Khartoum, Sudan, 1999G
Appointment Date	05/04/2015G
Current Positions	• Secretary of the Board of Directors, Al Moammar Information Systems Company, since 2016G. • Secretary of the General Assembly, Al Moammar Information Systems Company, since 2015G. • Administrative Affairs Officer, Al Moammar Information Systems Company, since 2015G.
Previous Positions	• Human Resources and Shareholders Relations Officer, Al-Murabba Investment Co., a closed joint stock company operating in investment, from 2014G to 2015G. • Assistant Director of Management Affairs, and Personnel Officer, Advanced Systems Company (ASCO), a limited liability company, from 2001G to 2011G.

5.3 Board Committees

The Board of Directors has formed committees to improve the management of the Company and to fulfil the relevant regulatory requirements. Each committee shall adopt clear rules defining its role, powers, and responsibilities. Minutes should be prepared for all committee meetings (and the Board reviews and approves such minutes).

The structure, responsibilities, and current members of each standing committee are summarized as follows:

5.3.1 Audit Committee

The primary role of the Audit Committee is to monitor the Company's business and affairs and assist the Board in supervising: (1) the integrity and accuracy of the Company's financial statements and reports; (2) the Company's compliance with legal and regulatory requirements and code of conduct; (3) the independent auditor's qualifications and independence; and (4) the performance, integrity, and efficiency of the Company's financial reports and internal audit systems. The duties and responsibilities of the Audit Committee include the following:

- **Financial Statements and Reports**
  - Considering the Company's preliminary and annual financial statements before submitting them to the Board of Directors and expressing opinions and recommendations thereon to ensure they are impartial, fair, and transparent.
  - Providing the technical opinion, at the request of the Board of Directors, on whether the Board of Directors' report and financial statements are fair, balanced, and comprehensible, and include information that allows shareholders and investors to evaluate the Company's financial position, performance, business model, and strategy.
  - Examining any important or unusual issues contained in the financial reports.
  - Carefully investigating any matters raised by the Company's Chief Financial Officer (CFO) or his deputy, Compliance Officer, or Auditor.

- Checking accounting estimates in material issues stated in the financial reports.
- Considering the Company's applicable accounting policies and expressing opinion and recommendations to the Board of Directors with respect thereto.
- The Audit Committee shall prepare a report regarding its opinion on the adequacy of the Company's internal audit system and its other activities within the scope of its competence. The Board shall file sufficient copies of this report at the Company's headquarter at least twenty-one days prior to convening the General Assembly to provide each shareholder with a copy of the report to be read during the Assembly's meeting.

Oversight and Internal Audit

- Considering the Company's preliminary and annual financial statements before submitting them to the Board of Directors and expressing opinions and recommendations thereon to ensure they are impartial, fair, and transparent.
- Providing the technical opinion, at the request of the Board of Directors, on whether the Board of Directors' report and financial statements are fair, balanced, and comprehensible and include information that allows shareholders and investors to evaluate the Company's financial position, performance, business model, and strategy.
- Examining any important or unusual issues contained in the financial reports.
- Carefully investigating any matters raised by the Company's CFO or his deputy, Compliance Officer, or Auditor.
- Checking accounting estimates in material issues stated in the financial reports.
- Considering the Company's applicable accounting policies and expressing opinion and recommendations to the Board of Directors with respect thereto.
- The Audit Committee shall prepare a report regarding its opinion on the adequacy of the Company's internal audit system and its other activities within the scope of its competence. The Board shall file sufficient copies of this report at the Company's headquarter at least twenty-one days prior to convening the General Assembly to provide each shareholder with a copy of the report to be read during the Assembly's meeting.

External Audit

- Making recommendations to the Board of Directors about nomination and dismissal of auditors, determining their fees, and evaluating their performance after checking their impartiality and reviewing their work scope as well as the terms of their contracts.
- Ensuring that auditors are invited for at least 3 offers of auditing and Zakat.
- Verifying the Auditor's independence, objectivity, and fairness and effectiveness of the auditing, taking into account relevant rules and standards.
- Reviewing the Auditor's plan and his works, ensuring that he does not perform technical or administrative works that fall outside the scope of auditing, and submitting related opinions.
- Responding to the inquiries of the Company's Auditor.
- Studying the Auditor's report and the notes on the financial statements and following up with the relevant actions.
- Ensuring that the auditor nominated for auditing the Company's accounts has not yet completed the statutory period of succession of auditors, in line with the professional practices and instructions issued by the regulatory authorities.
- Pre-approving all professional services, whether or not they are related to audit, provided by the Company's Auditor, including services related to the internal audit system.
- Confirming that the Auditor is not appointed to provide the Company with any professional services that he is not permitted to exercise during the period of his appointment as the Company's Auditor, in accordance with the relevant regulations issued by the regulatory authorities and the rules of professional ethics and conduct issued by the Saudi Organization for Certified Public Accountants (SOCPA).
- Discussing any accounting adjustments that have been noted or proposed by the Auditor, which are not recorded in the Company's books and reflected in the financial statements of the relevant financial period, in accordance with the concept of relative importance or others.

- **Compliance**
  - Reviewing the results of supervisory bodies' reports and checking that the Company took the necessary actions in this regard.
  - Checking the Company's compliance with relevant laws, regulations, policies, and instructions.
  - Reviewing the contracts and transactions to be concluded by the Company with the related parties and expressing its views thereon to the Board of Directors.
  - Reporting its views as to the need for action to be taken by the Board of Directors and recommending necessary actions to be taken.

- **Reports**
  - Informing the Board of Directors of the Committee's procedures, recommendations, and decisions after each meeting it holds.
  - Preparing an annual written report on its opinion on the adequacy and effectiveness of the Company's internal audit, financial and risk management systems and its recommendations in this regard, as well as other works that falls within its powers. Depositing sufficient copies of this report with the Company's Head Office to provide a copy to each Shareholder upon his request. The report shall be published on the Company's website and the website of the Exchange upon publication of the invitation for the relevant Annual General Meeting at least ten days before the specified date of the meeting. The report shall be read out at the meeting.

The Audit Committee shall consist of at least three shareholders or others, (as designated) including at least one independent Board Member and a financial and accounting specialist, and it shall not include any members of the Board of Directors. The Audit Committee shall meet on a regular basis, and there shall not be less than four such meetings during the financial year of the Company. The Internal Auditor and the Auditor may request to meet with the Audit Committee when necessary.

The Audit Committee comprises the following members as of the date of this Prospectus:

Table (5.3): Audit Committee Members

Name	Position
Saleh Abdullah bin Yahya Al Dabasi	Chairman
Ibrahim Abdullah Al Moammar	Director
Fayez Abdullah Al Asmari	Director

Source: The Company

5.3.2 Biographical Summaries of Audit Committee Members

The experience, qualifications, and current and other positions of the members of the Audit Committee are set out below:

5.3.2.1 Saleh Abdullah bin Yahya Al Dabasi

For more details on the experiences, qualifications, and current and previous positions of Saleh Abdullah bin Yahya Al Dabasi, see Section 5.2.3 ("Biographies of Board Members and the Board Secretary").

5.3.2.2 Ibrahim Abdullah Al Moammar

For more details on the experiences, qualifications, and current and previous positions of Ibrahim Abdullah Al Moammar, see Section 5.2.3 ("Biographies of Board Members and the Board Secretary").

5.3.2.3 Fayez Abdullah Al Asmari

Fayez Abdullah Al Asmari, Audit Committee member

Nationality	Saudi
Age	51 years
Academic and Professional Qualifications	Bachelor of Industrial Engineering, King Saud University, KSA, 1992G.
Appointment Date	08/07/2018G
Current Positions	• Al Moammar Information Systems Company, from 2018G.
Previous Positions	• Chief Operating Officer of ACWA Holding, a closed joint stock company, from 2015G to 2018G. • Deputy CFO, National Industrialization Company, a Saudi joint stock company operating in the field of petrochemicals, chemicals, plastics, metals, manufacturing industries, industrial services, technology, and environment, from 2006G to 2015G. • Senior Corporate Banking Manager, Samba Financial Group, a public joint stock company operating in the banking industry, from 2004G to 2005G. • Senior Credit Advisor, SIDF, a government agency working in the field of financing industrial projects, from 1993G to 2004G. • Member of the Audit Committee, Malath Insurance & Reinsurance Company, a Saudi joint stock company, from 2007G to 2013G. • Member of the Audit Committee, Watan Investment Company, a joint stock company, which works in the field of corporate finance, advisory investment related to mergers and acquisitions, IPOs, and subscriptions, from 2008G to 2009G.

5.3.3 Nomination and Remuneration Committee

The Nomination and Remuneration Committee is assigned to nominate members of the Board of Directors and develop a remuneration policy for the members of the Board and the Senior Management of the Company. The duties and responsibilities of the Nomination and Remuneration Committee include the following:

- **Nomination:**
  - Proposing clear policies and criteria for membership in the Board of Directors and Executive Management.
  - Making recommendations to the Board regarding nominating and re-nominating members according to the approved policies and standards, taking into account that nomination shall not include any person convicted of an offense in breach of honor or integrity.
  - Preparing a description of the abilities and qualifications required for membership to the Board of Directors and executive functions.
  - Advising the Board regarding the selection of Senior Executives, who possess the appropriate competences and qualifications for the Company's operations.
  - Reviewing the structure of the Board and Executive Management and making recommendations on possible changes.
  - Annually assuring the independence of each independent member and the absence of any conflict of interest in the event the Company's Board member serves as a member of the Board of Directors of another company at the same time.
  - Performing an annual review of the necessary skills or experience requirements for Board membership and functions of the Executive Management.
  - Setting special procedures in case the position of a Board member and senior executive is vacant.
  - Defining the Board's strengths and weaknesses and suggesting solutions that serve the Company's interest.
  - Supervising the development of an induction program for new members.
  - Recommending the Board of Directors to approve and supervise the Board's annual self-evaluations, which may be made by the Committee or a third party.
- **Remuneration**
  - Developing a clear policy for the remuneration of Board members, members of the Board's committees, and the Executive Management and submitting the same to the Board for consideration to be adopted by the General Assembly, taking into account in this policy the adoption of standards related to performance, disclosure, and implementation verification thereof.

- Defining the relationship between granted remuneration and applicable bonus policy, and any substantial violation of this policy.
- Regularly reviewing the remuneration policy and assessing the proficiency thereof in respect of achieving its objectives.
- Taking into account Article 62 of the Corporate Governance Regulations when developing the remuneration policy.
- Making recommendations to the Board with respect to the remunerations of the members of Board and its committees and the Senior Executives of the Company as per the approved policy.

- **Other Functions.**
  - Submitting proposals to the Board for approving the appointment or dismissal of the CEO or accepting his resignation.
  - Providing suggestions to the Board to appoint, dismiss, or accept the resignation of any senior executive.
  - Reviewing the minutes of previous meetings of the Committee and ensuring that there are no outstanding issues.
  - Keeping and managing the Committee's regulations through its Secretary.
  - Reviewing and re-evaluating the adequacy of these regulations and recommending any proposed changes to the Board for approval.
  - The Committee may not delegate any of its functions to any of its sub-committees.
  - Conducting any such other activities in accordance with these regulations and the Company's Articles of Association as well as applicable laws as may be deemed necessary and appropriate by the Board.
  - The Committee shall submit its decisions and recommendations to the Board of Directors within a period not exceeding the next Board meeting.
  - The members of the Committee shall keep confidential their work and discussions and shall use their judgment and diligence in business to act in such a way which, they believe in good faith, serves the interests of the Company.

The Committee shall be composed of at least three Non-Executive Board members, with at least one independent member of the Board, and the Chairman of the Committee shall be an independent Board member. The Committee shall meet at least once each financial year. Additional meetings may be held from time to time and may be convened at the request of the Board or any of its Members.

The Nomination and Remuneration Committee comprises the following members as of the date of this Prospectus:

Table (5.4): Nomination and Remuneration Committee Members

Name	Position
Faraj bin Mansour Abu Thuneen	Chairman
Ibrahim Abdullah Al Moammar	Director
Dr. Samer Shaar	Director

Source: The Company

5.3.4 Biographical Summaries of the Nomination and Remuneration Committee Members

The experience, qualifications, and the current and other positions of the members of the Nomination and Remuneration Committee are set out below:

5.3.4.1 Faraj bin Mansour Abu Thuneen

For further details on the experiences, qualifications, and current and previous positions of Faraj bin Mansour Abu Thuneen, see Section 5.2.3 ("Biographies of Board Members and the Board Secretary").

5.3.4.2 Ibrahim Abdullah Al Moammar

For further details on the experiences, qualifications, and current and previous positions of Ibrahim Abdullah Al Moammar, see Section 5.2.3 ("Biographies of Board Members and the Board Secretary").

5.3.4.3 Dr. Samer Shaar

Dr. Samer Shaar, Nomination and Remuneration Committee Member

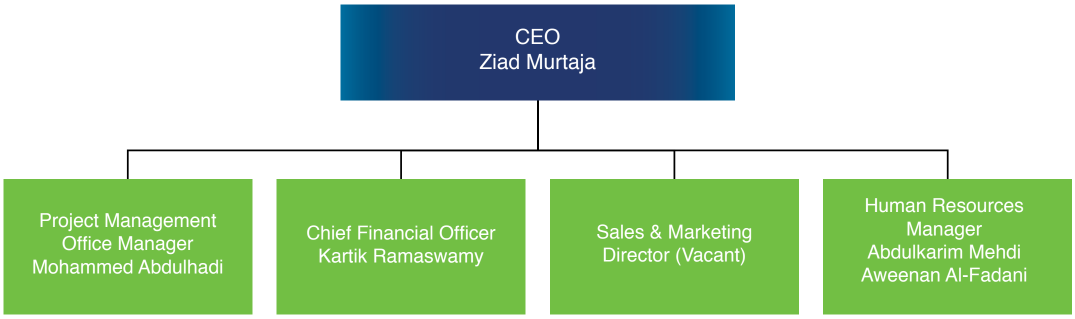
Nationality	Canada
Age	53
Academic Qualifications	• Ph.D., Marketing and Business Administration, La Salle University, Philadelphia, USA, 1998G. • MA, Industrial Engineering and Operations Research, Texas A&M University, USA, Texas, 1992G. • International General Certificate of Education in Mathematics and Computer Science, University of Cambridge, UK, 1990G. • BA, Mathematics and Computer Science, American University, Beirut, Lebanon, 1985G.
Appointment Date	08/07/2018G
Current Positions	• CEO, Esri Saudi Arabia, a limited liability company, KSA, 2012G. • Chairman of the Board of Directors, Shaar & Associates, a limited liability company, UAE, since 2005G.
Previous Professional Experience	• Chairman of the Board of Directors, Potential Company, a limited liability company, Free Zone, UAE, from 2006G to 2013G. • General Manager of the Middle East and Africa, Juniper Networks, a public joint stock company, USA, from 2008G to 2011G. • General Manager, IBM Middle East, Egypt, and Pakistan, a public joint stock company, USA, from 2003G to 2006G. • General Manager, Hewlett Packard (HP), Middle East, a public joint stock company, USA, from 2002G to 2003G. • General Manager, Compaq, a public joint stock company, USA, from 1997G to 2002G.

5.4 Senior Management

5.4.1 Overview of the Company's Management

Senior Management consists of qualified and experienced members with the necessary knowledge and experience to manage the business of the Company in line with the objectives and guidance of the Board of Directors and stakeholders. The Company managed to retain its Senior Management team, develop qualified employees and promoted such employees to senior positions in the Company. The following chart identifies Senior Executives as of the date of this Prospectus:

Figure 5.2: Chart of Senior Executives



Source: The Company

Table (5.5): Details of Senior Executives

Name	Position	Nationality	Age	Appointment Date	No. of Shares held pre- Offering	No. of Shares held post- Offering
Ziad Murtaja	CEO	Australian	55	11/06/2017G	-	-
Kartik Ramaswamy	Financial Manager	Indian	45	03/11/2010G	-	-
Vacant	Sales & Marketing Manager*	-	-	-	-	-
Mohammed Abdulhadi	Manager of the Project Management Office	Jordanian	33	29/03/2009G	-	-
Abdulkarim Mehdi Aweenan Al-Fadani	Human Resources Manager	Saudi	46	23/02/2015G	-	-

Source: The Company

**The Executive Manager shall assume this position during the period in which it is vacant.*

5.4.2 Biographies of Senior Executives

The experience, qualifications and the current and other positions of each Senior Executive are set out below:

Ziad Murtaja (CEO)

Nationality	Australian
Age	55
Academic and Professional Qualifications	B.Sc., Computer Science and Engineering, Kuwait University, Kuwait, 1986G.
Appointment Date	11/06/2017G
Previous Professional Experience	• CEO, Schneider Electric Saudi Arabia, a branch of Schneider Electric - International Group, a French joint venture company operating in the field of energy, distribution and protection of electricity and management of industrial buildings, from 2014G to 2017G. • Director of Networking Department for MENA and the Mediterranean region, HP, a publicly traded US listed company manufacturing and inventing IT equipment, hardware and software, from 2013G to 2014G. • General Manager, HP, KSA, a limited liability company manufacturing and inventing various IT equipment, hardware and software, from 2009G to 2013G. • Regional Director for North Africa and Middle East, Cisco Systems, a US listed company manufacturing ICT equipment, from 2007G to 2009G. • General Sales Manager, Cisco Systems, KSA, a limited liability company manufacturing information and communication network equipment, from 2004G to 2007G. • General Manager of Public Sector Sales and Communications, Cisco Systems, KSA, a limited liability company manufacturing information and communication network equipment, from 2000G to 2004G.
Other Board Memberships	N/A

Kartik Ramaswamy, CFO

Nationality	Indian
Age	45
Academic and Professional Qualifications	• B.Sc., Business Administration, University of Madras, Madras, Republic of India, 1993G. • Higher Diploma, Financial Management, University of Madras, Madras, Republic of India, 1994G.
Appointment Date	03/11/2010G
Previous Professional Experience	• Financial Controller, Onyx Group, a limited liability company, Sharjah, UAE, operating in the field of contracting, from 2006G to 2010G. • Financial Manager, Ramco Systems Limited, a public joint stock company, Malaysia, operating in the field of information technology, from 2001G to 2004G. • Financial Manager, Ramco Systems limited, a public joint stock company, USA, operating in the field of information technology, from 2005G to 2005G. • Corporate Finance Manager, Ramco Systems Limited, a public joint stock company, USA, operating in the field of IT, from 2005G to 2005G. • Financial Manager, Greenland Fertilizer Limited, a closed joint stock company operating in field of industry and training, from 1998G to 2000G. • Assistant Auditor, Sankararaman & Dhandapani, Chartered Accountants, LLC, operating in the field of auditing, from 1993G to 1997G.
Other Board Memberships	N/A

Sales and Marketing Manager (Vacant, with CEO filling in this position)

Mohammed Abdulhadi, Director of Project Management Office

Nationality	Jordanian
Age	33
Academic and Professional Qualifications	B.Sc., Computer Science, Hashemite University, Zarqa, Jordan, 2008G.
Appointment Date	16/03/2014G
Current Positions	Director of the PMO
Previous Professional Experience	• Project Manager, Al Moammar Information Systems Company operating in the field of communications and information technology, from 2014G to 2018G. • Project Manager, Jordan Telecom - Orange, a holding company, which operates in the field of communications and information technology, from 2010G to 2014G. • A software developer, Advanced Principle of Communication and Technology, a limited liability company operating in the field of communications and information technology, from 2009G to 2010G.
Other Board Memberships	N/A

Abdulkarim Mehdi Aweenan Al-Fadani, Director of Human Resources

Nationality	Saudi
Age	46
Academic and Professional Qualifications	Diploma, HR, Intellectual Development Centre for Training, Riyadh, KSA, 2013G.
Appointment Date	23/02/2015G
Previous Professional Experience	Manager of Human Resources and Administrative Affairs, Auto Hala, LLC, operating in the import and export of vehicles, from 2011G to 2015G.
Other Board Memberships	N/A

5.4.3 Employment Contracts with Senior Executives

The Company has concluded employment contracts with all members of the Company's Senior Management. Each such contract identifies each individual's fees and remuneration depending on that individual's qualifications and experience. These contracts include a number of benefits such as the granting of a monthly allowance for transportation or housing, or both. These contracts are renewable and subject to the Saudi Labor Law.

Ziad Murtaja, the CEO, joined the Company in 2017G. An employment contract has been concluded between him and the Company. The following is a summary of the duties and responsibilities of the CEO:

- Managing the day-to-day affairs and business of the Company.
- Proposing and developing the Company's strategy and overall commercial objectives, in close consultation with the Board of Directors.
- Implementing the decisions of the Board of Directors and different committees.
- Providing input to the Chairman on the Board of Directors meetings' agenda.
- Ensuring the provision of accurate and clear information to the Board of Directors in a timely manner.
- Ensuring that all material matters affecting the Company are brought to the attention of the Board of Directors.

Kartik Ramaswamy is the Company's Chief Financial Officer. An employment contract has been concluded between him and the Company. The following is a summary of the duties and responsibilities of the CFO:

- Assisting in the formulation of the Company's objectives and leading the Company's financial planning process.
- Managing the financial reporting process and strengthening the Company's internal audit systems.
- Working to optimize the Company's cash flow, liquidity, and working capital facilities.

5.5 Remuneration of Board Members and Senior Executives

In accordance with the Company's Articles of Association, remuneration of Board members shall be determined in accordance with the official decisions and instructions issued by the Ministry of Commerce and Investment, as applicable, and in accordance with the provisions of the Companies Law, other relevant supplementary laws, and the Company's Articles of Association. Reimbursable costs to travel to and attend meetings shall be determined by the Board of Directors in accordance with such applicable laws, resolutions, and directives of the Kingdom as determined by the competent authorities.

In accordance with Article 76 of the Companies Law, under which remuneration may be a percentage of the profits, the maximum annual remuneration of the Company's Board of Directors shall be five hundred thousand Saudi Riyals (SAR 500,000).

The following table shows the remuneration of the Board of Directors and the top five Senior Executives (including the CEO and CFO) for the financial years ended 31 December 2015G, 2016G, and 2017G and for the six-month period ended 30/06/2018G.

Table (5.6): Board of Directors and the Top Five Senior Executives Remuneration

	2015G	2016G	2017G	30/06/2018G
Directors	Nil	Nil	Nil	Nil
Committee Members	Nil	Nil	Nil	Nil
Senior Executives	1,365,466	2,271,495	1,961,884	1,745,900

Source: The Company

5.6 Corporate Governance

The Company's policy is to adopt high standards of corporate governance. The Board members each undertake that they will comply with the Corporate Governance Regulations issued by CMA on 16/5/1438H (corresponding to 13/2/2017G), as amended on 7/8/1439H (corresponding to 23/4/2018G).

The Corporate Governance Regulations explain the applicable rules and standards for the Company's management necessary to ensure compliance with best practices in corporate governance and to preserve the rights of shareholders and stakeholders. The provisions of the Corporate Governance Regulations shall be mandatory, except for those provisions referred to as pilot provisions.

The Company's internal corporate governance regulations adopted on 10/01/1440H (corresponding to 20/09/2018G) include provisions relating to the following:

1- Governance regulations.
2- Overall framework of governance.
3- Shareholder's guide.
4- Charter of the Board of Directors.
5- Policy, criteria, and procedures for membership of the Board of Directors.
6- Remuneration Policy for the Board of Directors, its committees, and Senior Executives.
7- Conflict of Interest Policy.
8- Policy regulating actual and possible conflict of interest cases for all related parties.
9- Dividend Policy.
10- Regulations of the Audit Committee's work.
11- Charter of the Nomination and Remuneration Committee.
12- Charter of the Risk Management Committee.
13- Charter of the Investment and Finance Committee.
14- Charter of the Governance Committee.
15- Internal Audit System.
16- Reporting Violations and Abuses Policy.
17- Professional Conduct Policy and Ethics.
18- Social Responsibility Policy.
19- Transparency and Disclosure Policy.
20- Anti-Money Laundering and Combating Terrorist Financing (AML/CTF) Policy.

As of the date of this Prospectus, the Company complies with the mandatory provisions of the Corporate Governance Regulations.

The Company has two permanent committees (the Audit Committee and the Nomination and Remuneration Committee). These committees are responsible for reviewing the Company's operations within their areas of expertise and reporting the results and proposals to the Board of Directors (for further details, please refer to Section 5.3 ("**Board Committees**")).

The Board of Directors consists of five members, the majority of whom are Non-Executive members and two of whom are independent members, in accordance with the Corporate Governance Regulations. The Board of Directors will ensure that:

a- All committees will have clear terms of reference that outline the roles and responsibilities of each committee.
b- Minutes of all meetings are prepared, reviewed, and approved by the Board of Directors in accordance with the Company's Bylaws.

In accordance with Paragraph (1) of Article 95 of the Companies Laws and Paragraph (b) of Article 8 of the Corporate Governance Regulations, shareholders adopted the cumulative voting mechanism when selecting the Board of Directors as set out in the Company's Bylaws (for more information, please refer to Section 12.6 ("**Summary of the Bylaw**")). This voting mechanism grants each shareholder voting rights, pro rata to the number of shares he holds. Each shareholder is entitled to exercise all his rights to vote for one candidate or to divide his rights to vote for specific candidates without any repetition of such votes. This mechanism increases the chances of minority shareholders being represented on the Board of Directors through their cumulative voting rights for one candidate.

5.7 Conflict of Interest

Neither the Company's Bylaws, regulations, nor its internal policies shall confer any powers on Board members to vote on a contract or business in which he has a direct or indirect interest, pursuant to the provisions of Article 71 of the Companies Law. The Board members shall:

- Comply with Articles 71 and 72 of the Companies Laws and Articles 44 and 46 of the Corporate Governance Regulations.
- Abstain from voting on contracts entered into with the related parties in the General Assembly Meetings if they have either direct or indirect interest therein.
- Not compete with the Company's business except with the approval of the General Assembly in accordance with Article 72 of the Companies Law.

The following table illustrates the cases in which the members of the Board of Directors may engage in similar or competing business activities carried out by the Company (such cases were approved by the shareholders at the Extraordinary General Assembly held on 15/02/1440H (corresponding to 24/10/2018G)):

Director	Description of conflict	Activity	Entity name	Entity form	Shareholding) (Direct and indirect)
Ibrahim Abdullah Al Moammar	Direct interest in one of the Company's suppliers and customers	GIS	Electronic Maps Trading Company	Limited liability company	50.0%
Khaled Abdullah Al Moammar	Direct interest in one of the Company's suppliers and customers	GIS	Electronic Maps Trading Company	Limited liability company	50.0%
Ibrahim Abdullah Al Moammar	Direct interest in one of the Company's suppliers	GIS	Esri Saudi Arabia	Limited liability company	37.5%
Khaled Abdullah Al Moammar	Direct interest in one of the Company's suppliers	GIS	Esri Saudi Arabia	Limited liability company	37.5%

Below is a summary of all the Company's agreements with the related parties:

Agreement for provision of technical services with Edarat for Communication & IT

The Company entered into a service agreement with Edarat for Communication & IT on 22/11/2018G, whereby Esri Saudi Arabia Ltd. provides certain services (including design, installation, and follow-up of data center systems, technical support services for data centers, and installation of network systems) to the Company for projects it executes for its customers in return for the issuance of a credit according to the price list annexed to the agreement. If Edarat for Communication & IT does not agree to act in accordance with the Letter of Award, it will not provide any of the services provided for in the Letter of Award under this agreement. The term of the agreement shall be three years and either party may, at any time, terminate the agreement by 30 days' written notice to the other party. This agreement shall be governed by the applicable laws in the Kingdom. In the event of any dispute, dispute or claims arising out of the agreement, it shall be referred to the relevant Saudi courts.

Agreement for provision of technical services with Esri Saudi Arabia Ltd.

The Company entered into a service agreement with Esri Saudi Arabia Ltd. on 22/11/2018G, whereby Esri Saudi Arabia Ltd. provides certain services (including design, installation and follow-up of data center systems, technical support services for data centers, and installation of network systems) to Company for projects it executes for its customers in return for the issuance of a credit according to the price list annexed to the agreement. If Esri Saudi Arabia Ltd. does not agree to act in accordance with the Letter of Award, it will not provide any of the services provided for in the Letter of Award under this agreement. The term of the agreement shall be three years and either party may, at any time, terminate the agreement by 30 days' written notice to the other party. This agreement shall be governed by the applicable laws in the Kingdom. In the event of any dispute, dispute or claims arising out of the agreement, it shall be referred to the relevant Saudi courts.

Guarantees provided to associates and related companies

The Company has provided several financial guarantees in favor of associates or related parties for the purpose of enabling them to participate in competitions or execute projects with government entities and private companies. It should be noted that the recipients of these guarantees provided the Company with cash coverage for the entire value of the guarantees provided. Details of the existing guarantees are shown in the following table:

Table (5.7): Guarantees provided to related parties:

#	Beneficiary Party	Issue Date	Expiry Date	Value (SAR)
1	Edarat Co. for Communication & Information Technology (Edarat CIT)	13/07/2011G	31/01/2019G	22,800
2	Edarat Co. for Communication & Information Technology (Edarat CIT)	16/12/2014G	31/12/2018G	29,950
3	Edarat Co. for Communication & Information Technology (Edarat CIT)	12/07/2015G	30/12/2018G	40,000
4	Edarat Co. for Communication & Information Technology (Edarat CIT)	09/07/2015G	28/02/2019G	23,900
5	Edarat Co. for Communication & Information Technology (Edarat CIT)	02/03/2011G	30/12/2018G	11,000
6	Edarat Co. for Communication & Information Technology (Edarat CIT)	06/04/2011G	31/01/2019G	159,638
7	Edarat Co. for Communication & Information Technology (Edarat CIT)	24/04/2011G	31/01/2019G	70,400
8	Edarat Co. for Communication & Information Technology (Edarat CIT)	09/05/2011G	02/03/2019G	29,500
9	Edarat Co. for Communication & Information Technology (Edarat CIT)	24/05/2011G	02/03/2019G	33,000
10	Edarat Co. for Communication & Information Technology (Edarat CIT)	23/11/2011G	31/01/2019G	36,100
11	Edarat Co. for Communication & Information Technology (Edarat CIT)	06/06/2012G	02/03/2019G	8,100
12	Esri Saudi Arabia Ltd.	02/02/2016G	21/01/2019G	199,500
	Total			**663,888**

6. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's discussion and analysis section provides a review of the Company's financial condition and operational performance. This section is based upon and should be read in conjunction with the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G prepared in accordance with the accounting standards promulgated by SOCPA, and the notes thereto, and the Company's interim audited financial statements for the period ended 30 June 2018G prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by SOCPA, and the notes thereto. The Company's financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G, along with its audited financial statements for the period ended 30 June 2018G were audited by Ernst & Young (E&Y). The aforementioned audited financial statements are a part of this Prospectus.

All amounts are in SAR, unless stated otherwise, and percentages are rounded off to one decimal place. Further, for the purposes of this section, financial information for the financial years ended 31 December 2015G and 2016G have been used from the comparative financial information contained in the audited financial statements for the financial years ended 31 December 2016G and 31 December 2017G respectively.

Ernst & Young do not themselves, nor do any of their affiliates, have any shareholding or interest of any kind in the Company. Ernst & Young has furnished, and not withdrawn, its written consent to the reference in the Prospectus to their role as auditor of the Company for the financial years ended 31 December 2015G, 2016G, and 2017G, and the period ended 30 June 2018G.

This section may include forward-looking statements in connection with the Company's future prospects based on the management's current plans and expectations regarding the Company's growth, results of operations, and financial condition, and as such involve risks and uncertainties. The Company's actual results could differ materially from those expressed or implied in these forward-looking statements due to various factors and future events, including those discussed below and elsewhere in the Prospectus, particularly, in the "Risk Factors" section of this Prospectus.

6.1 Directors' declaration for financial information

The Board of Directors declares that, to the best of their knowledge and belief, the financial information presented in this section is extracted without material changes from and in a form consistent with the audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G and the Company's audited financial statements for the six-month period ended 30 June 2018G. Further, the financial statements for the years ended 31 December 2015G, 2016G and 2017G have been prepared in accordance with the accounting standards promulgated by SOCPA, and the interim financial statements for the period ended 30 June 2018G have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by SOCPA.

The Board of Directors declares that there has been no material adverse change in the financial position or prospects of the Company during the three years preceding the year of application and listing, in addition to the period covered by the certified public accountant's report and until the approval date of the Prospectus.

The Board of Directors declares that the Company will have sufficient funds to meet its working capital requirements for 12 months, effective from the date of the Prospectus.

The Board of Directors declares that there is no intention to make any fundamental change in the nature of the Company's activity.

The Board of Directors confirms that operations have not stopped in a way that could affect or has affected its financial position significantly during the past twelve months.

The Board of Directors declares that the Company is not aware of any information regarding any governmental, economic, fiscal, monetary or political policies or other factors that have materially affected, or could materially affect, directly or indirectly, its operations, except as may be disclosed in this Prospectus.

The Board of Directors declares that no shares of the Company are under option as of the date of this Prospectus.

The Board of Directors declares that no commissions, discounts, brokerages, or other non-cash compensation were granted by the Company to any member of the Board, Senior Management, or expert in relation to the Offering in the three years immediately preceding the date of submitting the listing application.

Except as disclosed elsewhere in this Prospectus, the Board of Directors declares that there are no other mortgages, rights and charges on the Company's assets as of the date of this Prospectus (for more details, please refer to Section 12.8 ("**Finance Agreements**") of this Prospectus).

The Board of Directors also declares that all material information has been disclosed in the Prospectus to the best of their knowledge.

6.2 Company Overview

Al Moammar Information Systems Company ("**MIS**" or the "Company") was registered as a closed joint stock company under Commercial Registration No. 1010063470 issued in Riyadh on 10 Muharram 1407H (corresponding to 15 September 1986). The Company is registered in the Kingdom of Saudi Arabia with the following branches:

Registration No.	Date	Location
4030097824	8 Rabi Awal 1414H	Jeddah
1010432047	12 Jumad Thani 1436H	Riyadh
2051011413	17 Rabi Awal 1407H	Khobar
4030288661	4 Rajab 1437H	Jeddah
1010063470	10 Muharram 1407H	Riyadh

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

6.3 Principal factors affecting the Company's operations

The following is a discussion of the most significant factors that have affected, or are expected to affect, the Company's financial position and results of operations. These factors are based on the information currently available to the Company and may not represent all of the factors that may have an impact on the Company's business.

6.3.1 Economic factors and business from government customers

Oil income is expected to play a significant role in the development of the Kingdom's economic plans despite the continuous application of the diversification policy to support the contributions of sectors other than oil to GDP. Therefore, any decrease in oil and gas prices may result in downturns of the Government's spending plans, which may impact the Company's business.

Revenues generated from government customers represented 46.8%, 33.0% and 49.2% of the Company's revenues for the years ended 31 December 2015G, 2016G, and 2017G, respectively, and represented 44.1% and 59.3% for the periods ended 30 June 2017G and 2018G respectively. As such, the revenues generated by the Company are largely linked to public spending by the government. Therefore, the fiscal policy of the Saudi Government and appropriation of funds for IT and technology-related spending both carry a direct impact on the revenue generated by the Company and its year-on-year growth.

6.3.2 Relationship with key strategic vendors

The Company sees its key vendors and their integrated IT solutions from various international IT vendors as a primary requisite to win projects in the Kingdom. The key vendors and their brands derive value from their global network, secure and customized solutions, and compatibility with third-party sources. Therefore, the Company's success predominantly depends on its ability to maintain and enhance its relationship with these key vendors.

The Company's long-term relationship and ability to negotiate prices with these vendors have historically been the important factors in winning business and earning healthy margins on local projects. The Company has the highest trade credit with most of its suppliers (for more details, please refer to Table 4.15 regarding the Company's business credits), which also enhances the Company's ability to obtain greater discounts from suppliers. Flexible payment terms with these vendors also played an important role in managing the cash flow position of the Company due to extended collection time of balance receivable from government customers. The Company also has a good credit record, which gives suppliers the freedom to do repeat business with the Company.

6.3.3 E-Service Business Unit with higher margins

The Business Services Management Unit is engaged in providing, implementing, and supporting IT solutions in the Kingdom through customized software tools and applications. This Business Unit provides smarter applications, faster processes, and more robust controls for IT centers and operations.

Historically, the revenue from this Business Unit has been important for the Company's profitability growth, as this is typically associated with lower marginal costs and higher profit margins. Gross profit from these services represented 21.0%, 33.3%, 41.9% and 25.3% of the Company's total profits for the years ended 2016G, 2016G, 2017G and the six-month period ended 30 June 2018G, respectively. Gross profit margin for this Unit was 30.6%, 35.1%, 43.0% and 25.4% for the years ended 2016G, 2016G, 2017G and the six-month period ended 30 June 2018G, respectively, exceeding the other Business Units.

6.3.4 Timely finalization of government projects

Timely completion of government projects and acknowledgment of final handover by various stakeholders in these projects is a key factor in issuance and settlement of bills. Delay in finalization of these projects may disrupt the billing cycle after the project commencement and therefore, may have direct impact on cash flows of the business. Moreover, delay in acknowledgment of bills issued and settled by the Company could result in long outstanding receivables.

The Company has been actively involved in operational reviews to assess the opportunities for improvement in timely project completion and related collections. Moreover, the Company's long-term business relationship with its entire major private and government sector customers and wealth of experience in project management have been key factors in reducing delays in collections and disrupting billing cycles.

6.3.5 Competition

The Company's business is competitive in the local market due to its partnership with key vendors. Projects with government customers are also highly competitive as it involves various bidders. The primary competitive factors are pricing, partnership with required vendors, experienced project management team, and support services. The Company's competitive edge lies in an experienced project management team with in-depth knowledge of the ICT services and experienced sales management team who hold years of origination and project bidding experience.

6.4 Significant accounting policies

According to the transition plan to the International Accounting Standards approved by the Board of SOCPA, effective 1 January 2018G, the Company's financial statements will be prepared in accordance with International Financial Reporting Standards (IFRS). Upon the adoption of IFRS, the Company will be required to comply with the requirements of IFRS 1 - First-time Adoption of International Financial Reporting Standards, which require the Company to analyze impacts and incorporate certain adjustments on the comparative figures and its opening balances.

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

6.4.1 Accounting conventions

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

6.4.2 Use of estimate

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

6.4.3 Cash and cash equivalents

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

6.4.4 Short term bank deposits

Short term bank deposits are readily convertible into known amounts of cash and have a maturity of more than three months but less than one year when purchased.

6.4.5 Accounts receivable

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

6.4.6 Unbilled receivables

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

6.4.7 Investments in associates

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

6.4.8 Available-for-sale Investments

These investments represent unquoted shares which are bought not with the intention of trading purposes and are stated at fair value. Changes in fair value are credited or charged to the statement of changes in shareholders' equity. Where there is an objective evidence that investments may be impaired, the estimated recoverable amount of those investments is determined and any impairment loss for the difference between the recoverable amount and the carrying amount is recognized in the statement of income. In assessing impairment, expected future cash flows and other factors are taken into consideration. Where partial holdings are sold, the related carrying values of such investments are accounted for on a weighted average basis.

6.4.9 Property and equipment

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

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

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

a- Equipment 20%
b- Motor vehicles 20%
c- Furniture and fixtures 20%

6.4.10 Intangible Assets

Intangible assets are measured on a cost basis at initial recognition. Following initial recognition, intangible assets with finite useful lives are carried at cost minus any accumulated amortization and impairment losses and is amortized on a straight-line basis over its useful economic life. Intangible assets include accounting software purchased by the Company. These are amortized on a straight-line basis over a period of 5 years.

6.4.11 Accounts payable and accruals

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

6.4.12 Provisions

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

6.4.13 Loans and borrowings

Loans and borrowings are recognized at the proceeds value received by the Company.

6.4.14 Employees' terminal benefits

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

6.4.15 Statutory Reserve

In accordance with the Companies Law and the Company's Bylaws, the Company must transfer 10% of its annual net income to the statutory reserve until it reaches 50% of the share capital. Given the fact that this has been achieved, the Company has decided to discontinue the transfer. This reserve is not available for dividend distribution.

6.4.16 Zakat

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

6.4.17 Revenue recognition

Revenue on contracts, where the outcome can be estimated reliably, is recognized under the percentage-of-completion method (PoC) by reference to the stage of completion of its contract activity. The stage of completion is measured by calculating the proportion of work performed to date as a proportion of the total work to be performed. The Company's management considers the completion of the physical proportion of the contract work performed as the most appropriate measure of the PoC in determining and recognizing the profit of a contract for the year. Revenues from the sale of computer hardware and software licenses are recognized upon delivery. Revenue is determined after deducting returns, trade allowances, and volume rebates. Revenues from support service contracts are determined on a pro-rata basis over the period of the contract.

6.4.18 Foreign currencies

Foreign currency translations

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

6.4.19 Expenses

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

6.4.20 Impairment and un-collectability of financial assets

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

a- For assets carried at fair value, impairment is the difference between cost and fair value, minus any impairment loss previously recognized in the statement of income.

b- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for similar financial assets.

c- For assets carried at amortized cost, impairment is the difference between the carrying value and the present value of future cash flows discounted at the current interest rate in effect.

6.4.21 Dividends

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

6.4.22 Segment reporting

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

6.5 Results of Operations

6.5.1 Income Statement

The following table sets out the Company's income statement for the financial years ended 31 December 2015G, 2016G, and 2017G:

Table (6.1): Income Statement

SAR thousands	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Sales	716,805	654,024	842,800	(8.8%)	28.9%	8.4%
Cost of sales	(619,935)	(555,561)	(704,470)	(10.4%)	26.8%	6.6%
Gross profit	96,871	98,463	138,330	1.6%	40.5%	19.5%
General and administrative expenses	(30,640)	(30,487)	(32,047)	(0.5%)	5.1%	2.3%
Selling and distribution expenses	(12,387)	(12,531)	(11,800)	1.2%	(5.8%)	(2.4%)
Income from main operations	53,844	55,445	94,483	3.0%	70.4%	32.5%
Financial charges	(9,081)	(14,461)	(12,262)	59.2%	(15.2%)	16.2%
Other income, net	634	1,173	1,585	84.9%	35.1%	58.1%
Income before the Company's share in the results of associates and Zakat	**45,397**	**42,157**	**83,806**	**(7.1%)**	**98.8%**	**35.9%**
Share in results of associates	392	(752)	(525)	(291.8%)	(30.2%)	N/A
Income before Zakat	**45,789**	**41,405**	**83,281**	**(9.6%)**	**101.1%**	**34.9%**
Zakat	(4,882)	(5,321)	(6,473)	9.0%	21.6%	15.1%
Net income for the year	**40,907**	**36,084**	**76,808**	**(11.8%)**	**112.9%**	**37.0%**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

Sales are mainly generated by the Company from six business units: Solutions, E-Services, Operation and Maintenance, Networks, Systems, and Information Security System. In 2017G, the contribution of sales from each business unit accounted for 38.1% from Solutions, 16.0% from E-Services, 15.5% from Operation and Maintenance, 11.3% from Networks, 10.0% from Systems, and 9.2% from Information Security system.

Sales declined by 8.8% from SAR 716.8 million in 2015G to SAR 654.0 million in 2016G, primarily due to budgetary restrictions on government customers. This was primarily driven by reduced spending by government customers in the wake of economic downturn. The reduction in sales from these government customers was primarily attributable to the Solutions and Systems units. During 2017G, sales grew by 28.9% from SAR 654.0 million in 2016G to SAR 842.8 million in 2017G. This was mainly due to the growth witnessed across all the Company's business units driven by new customers.

Cost of sales decreased by 10.4% in 2016G, from SAR 619.9 million in 2015G to SAR 555.6 million in 2016G, mainly due to lower cost of sales in the Networks, Systems, and Information Security units, in line with the decline in sales. In 2017G, the cost of sales increased by 26.8%, from SAR 555.6 million in 2016G to SAR 704.5 million in 2017G, mainly due to the increase in the overall cost of sales driven by new contracts, most of which are related to the Solutions unit.

Gross profit increased by 1.6% from SAR 96.9 million in 2015G to SAR 98.5 million in 2016G, mainly due to higher profit margins generated from a major project of a telecom sector customer related to the Solutions and E-Services units during this period. During 2017G, gross profit grew by 40.5% from SAR 98.5 million in 2016G to SAR 138.3 million in 2017G. This resulted primarily from higher profit margins in the Operation and Maintenance and E-Services business units.

General and administrative expenses did not witness material fluctuation between 2015G and 2016G. During 2017G, general and administrative expenses increased by 5.1% from SAR 30.5 million in 2016G to SAR 32.0 million in 2017G, mainly due to an increase in employee costs as a result of the appointment of a new General Manager in 2017G.

Selling and distribution expenses include employees' cost pertaining to the sales division and marketing costs incurred by the Company. Selling and distribution expenses did not witness material fluctuation between 2015G and 2017G.

Financial charges include bank commission on loans, bank charges, bank management fees, and others. Financial charges increased by 59.2% in 2016G, from SAR 9.1 million in 2015G to SAR 14.5 million in 2016G. This primarily resulted from an increase in interest cost as a result of additional facilities utilized during 2015G, as well as the increase in SIBOR. In 2017G, financial charges decreased by 15.2% from SAR 14.5 million in 2016G to SAR 12.3 million in 2017G. This primarily resulted from the decline in bank commissions on loans and bank management fees due to lower average outstanding loan balance during 2017G as compared to 2016G.

Other income primarily includes partial reimbursement due to the Company from HRDF on claims relating to the hiring and training of Saudi employees and interest income on time deposits held by the Company during the year. The increase in other income during 2016G was mainly on account of the increase in HRDF claims as a result of increased hiring of Saudi staff during the same year. During 2017G, the increase in other income was mainly on account of reversal of write-offs (recovery of receivables), this account was only recorded in 2017G and did not exist in 2015G and 2016G. In addition, the increase in other income during 2017G was also due to the settlement of rent and other miscellaneous building repairs and maintenance expenses by Edarat for Communication & IT, which are paid by the Company on behalf of Edarat CIT.

The Company holds 50% ownership in each of its associates: Edarat Group SAL, Phoenicia Tech Worldwide Inc., and Edarat for Communication & IT. The results of these associates are accounted for in the Company's financials under the equity method. The Company's share in results of associates' returns has changed from an income of SAR 0.4 million in 2015G to a loss of SAR 0.8 million in 2016G. This primarily resulted from the losses recorded by Phoenicia Tech Worldwide Inc. The Company's share of losses from associates amounting to SAR 0.5 million in 2017G, resulted from losses recorded by Phoenicia Tech Worldwide Inc. in addition to losses reported from Edarat CIT.

Zakat increased by 9.0% from SAR 4.9 million in 2015G to SAR 5.3 million in 2016G and further by 21.6% to SAR 6.5 million in 2017G. This primarily resulted from an increase in the Zakat base of the Company from SAR 195.3 million on 31 December 2015G to SAR 258.9 million on 31 December 2017G.

Zakat base increased by SAR 17.5 million in 2016G compared to 2015G, mainly due to an increase in retained earnings by SAR 15.3 million, in addition to an increase in deferred tax expenses by SAR 1.5 million and a decrease in net fixed assets by SAR 7.5 million. The increase in the Zakat base was partially offset by a decrease in the adjusted net income subject to Zakat by SAR 7.7 million. During 2017G, the Zakat base increased by SAR 46.1 million compared to 2016G. The increase in the Zakat base is due to an increase in adjusted net income subject to Zakat by SAR 41.0 million, in addition to an increase in retained earnings by SAR 17.9 million and provision for employees' end of service benefits by SAR 1.7 million. The increase in the Zakat base was reduced through the use of the employees' end of service benefits amounting to SAR 5.3 million and the increase in net property and equipment by SAR 9.3 million.

Net income declined by 11.8% in 2016G, from SAR 40.9 million in 2015G to SAR 36.1 million in 2016G. This was primarily due to an increase in financial charges as a result of additional financing facilities utilized in 2015G by the Company as well as an increase in SIBOR, the full year impact of which was observed in 2016G. During 2017G, net income grew by 112.9% from SAR 36.1 million in 2016G to SAR 76.8 million in 2017G. This was mainly on account of an overall increase in the Company's sales from SAR 654.0 million in 2016G to SAR 842.8 million in 2017G.

6.5.1.1 Key Performance Indicators

The following table presents the Company's cash flow statement for the financial years ended 31 December 2015G, 2016G, and 2017G.

Table (6.2): Key Performance Indicators

	Financial year ended 31 December		
	2015G	2016G	2017G
Key Performance Indicators			
Gross margin (%)	13.5%	15.1%	16.4%
Net profit margin (%)	5.7%	5.5%	9.1%
Return on assets (%)	7.6%	6.6%	10.9%
Return on equity (%)	25.5%	21.1%	39.1%
Current ratio	1.4	1.5	1.4
Debt to equity	1.3	0.9	0.9

Source: Management information

6.5.1.2 Sales

The following table presents an overview of the Company's sales by business units for the financial years ended 31 December 2015G, 2016G, and 2017G.

Table (6.3): Sales by Business Units

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)	Percentage of total		
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G	2015G	2016G	2017G
Sales									
Solutions	96,102	268,066	321,099	178.9%	19.8%	82.8%	13.4%	41.0%	38.1%
Services Management	66,398	93,594	134,903	41.0%	44.1%	42.5%	9.3%	14.3%	16.0%
Operation and Maintenance	71,997	96,568	130,351	34.1%	35.0%	34.6%	10.0%	14.8%	15.5%
Networks	98,961	72,143	94,890	(27.1%)	31.5%	(2.1%)	13.8%	11.0%	11.3%
Systems	300,255	53,373	84,011	(82.2%)	57.4%	(47.1%)	41.9%	8.2%	10.0%
Information Security Systems	83,092	70,280	77,546	(15.4%)	10.3%	(3.4%)	11.6%	10.7%	9.2%
Total	**716,805**	**654,024**	**842,800**	**(8.8%)**	**28.9%**	**8.4%**	**100.0%**	**100.0%**	**100.0%**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

The Solutions unit is engaged in providing technology solutions including: Oracle Solutions, VERITAS High Availability Backup Solutions, Geographic Information Services (GIS), SAP Solutions, IBM Solutions, Dispatch and Field Team Automation Solutions, Utility Solutions, Banking Solutions and Services, Hospital Information Systems, ID and Passport Issuing Solutions, Asset Management Solutions, Radio Frequency Identification (RFID) Solutions program used for physical tagging and tracking of assets, in addition to Microsoft Solutions. Sales from the Solutions unit increased by 178.9% in 2016G from SAR 96.1 million in 2015G to SAR 268.1 million in 2016G, primarily due to the reclassification of products relating to a major supplier to the Solutions unit from the Hardware and Software Integration (HSWI) unit. The Solutions unit was previously termed as Geographic Information Systems (GIS). In 2017G, sales of this business unit increased by 19.8% from SAR 268.1 million in 2016G to SAR 321.1 million in 2017G, mainly due to awarding of new contracts in the government sector in relation to cloud services.

The E-Services unit provides software in the areas of business service management (BSM), data center monitoring, and optimization. E-Services delivers, implements, and supports IT & BSM solutions within the Kingdom. In addition, E-Services also provides custom designed helpdesk related solutions. Sales from this unit increased by 41.0% in

2016G from SAR 66.4 million in 2015G to SAR 93.6 million in 2016G, mainly due to implementation of new BMC technologies and expansion projects for a key customer in semi-government sector in relation to real-time technology and capital expenditure management solutions based on ITC technologies. In 2017G, E-Services sales increased by 44.1% from SAR 93.6 million in 2016G to SAR 134.9 million in 2017G, mainly due to the signing of a new contract with a government sector customer amounting to SAR 72.0 million pertaining to BMC support services provided by the Company.

The Operation and Maintenance unit provides project management support to customers where the application of knowledge, skills, and techniques to implement IT infrastructure is required. The Company provides skilled employees and, along with the customer's IT department, manages, maintains, and upgrades software, hardware, and network infrastructures. Sales from this unit increased by 34.1% in 2016G from SAR 72.0 million in 2015G to SAR 96.6 million in 2016G, primarily due to rendering services for on-going projects within the government sector. During 2017G, the sales from Operation and Maintenance unit further increased by 35.0% to SAR 130.4 million due to additional sales generated from the on-going projects with key customers as well as signing new contracts related to geographic information systems (GIS) and maintenance services.

The Networking unit is engaged in building efficient and cost effective networks and communication solutions based on technologies from various leading ICT service providers including cross-architecture technologies (SDN, NFV, Automation, and Management & Orchestration (MANO) technologies). Networking unit sales decreased by 27.1% in 2016G, from SAR 99.0 million in 2015G to SAR 72.1 million in 2016G, primarily due to the decrease in public spending, which affected government customers in the wake of the general economic downturn. In addition, the absence of business orders from previous years during 2016G also contributed to the decline in sales, as this is a major factor for sales growth as well as new orders. In 2017G, sales from Networks increased by 31.5% from SAR 72.1 million in 2016G to SAR 94.9 million in 2017G, mainly due to increased sales of new contracts signed with private sector customers in 2017G.

The Systems unit provides technological products and business expertise designed to increase effectiveness, efficiency, adaptability, and growth. The Company's hardware partners mainly include Hewlett Packard Enterprise (HPE), Microsoft, VMware, and Citrix. The Systems unit's sales decreased by 82.2%, from SAR 300.3 million in 2015G to SAR 53.4 million in 2016G. This decline was mainly due to the restructuring of certain products and services (including Oracle products) from the Systems unit to the Solutions unit, as the Company bifurcated these based on the nature of products and services provided under each unit in order to better analyze the units' performance, and the comparatives have been restated. In 2017G, sales of this unit increased by 57.4% from SAR 53.4 million in 2016G to SAR 84.0 million in 2017G, mainly due to new contracts with customers in the private and government sector pertaining to key suppliers' hardware setup. Systems unit was previously termed as Hardware and Software Integration (HSWI) unit.

The Information Security unit provides a broad portfolio of industry solutions, which assist customers in developing, deploying, fulfilling, and maintaining the security of their data. The Company provides information security solutions for all 10 domains of IT security, from the physical layer to the application layer. Sales from this unit decreased by 15.4% in 2016G from SAR 83.1 million in 2015G to SAR 70.3 million in 2016G, primarily due to budgetary restrictions on government customers on account of overall economic downturn. In 2017G, sales from this unit increased by 10.3% from SAR 70.3 million in 2016G to SAR 77.5 million in 2017G, mainly due to increased sales of new contracts signed with private and government sector customers in 2017G.

Due to the nature of the Company's revenue streams, the business or the financial condition of any of the business units of the Company are not affected by seasonality.

Sales by sector

The following table presents the Company's sales by sector for the financial years ended 31 December 2015G, 2016G, and 2017G.

Table (6.4): Sales by sector

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)	Percentage of total		
	2015G	2016G	2017G	December 2016G	December 2017G	2015G-2017G	2015G	2016G	2017G
Government	335,651	215,667	414,908	(35.7%)	92.4%	11.2%	46.8%	33.0%	49.2%
Private sector	245,395	271,179	318,570	10.5%	17.5%	13.9%	34.2%	41.5%	37.8%
Semi-Government	135,759	167,177	109,322	23.1%	(34.6%)	(10.3%)	18.9%	25.6%	13.0%
Total	**716,805**	**654,024**	**842,800**	**(8.8%)**	**28.9%**	**8.4%**	**100.0%**	**100.0%**	**100.0%**

Source: Management information

Sales generated from government customers decreased by 35.7% in 2016G from SAR 335.7 million in 2015G to SAR 215.7 million in 2016G, mainly due to lower sales from contracts with the General Organization for Social Insurance (GOSI), Ministry of Interior (MOI) and government universities driven by low public spending in the wake of overall economic downturn. In contrast, sales generated from the government sector increased by 92.4% in 2017G, from SAR 215.7 million in 2016G to SAR 414.9 million in 2017G. This primarily resulted from an increase in sales from most of the contracts with ministries, government agencies, and government universities driven by recovery of overall economic activity of the region resulting in an increased public spending from the government.

Sales generated from the private sector increased by 10.5% in 2016G from SAR 245.4 million in 2015G to SAR 271.2 million in 2016G. This primarily resulted from an increase in sales from key customers in the petrochemicals, management consulting services, and automobile sectors as a result of addition of new customers in the Company's portfolio. In 2017G, sales generated from the private sector further increased by 17.5% from SAR 271.2 million in 2016G to SAR 318.6 million in 2017G. This primarily resulted from increase in sales from majority of the recurring customers in various sectors as a result of increase in economic activity during 2017G.

Sales generated from semi-government sector increased by 23.1% in 2016G, from SAR 135.8 million in 2015G to SAR 167.2 million in 2016G. This primarily resulted from the increase in sales with key customers operating in oil and gas and telecommunications. In 2017G, sales from semi-government sector decreased by 34.6% from SAR 167.2 million in 2016G to SAR 109.3 million in 2017G, mainly resulting from the decline in sales with key customers operating in oil and gas, telecommunications, and electricity. The sales vary depending on the demand from the customers, as the sales orders are driven by the capital expenditure capabilities of these customers for IT infrastructure work due to nature of the Company's business.

Sales by geography

The following table presents the Company's sales by geography for the financial years ended 31 December 2015G, 2016G, and 2017G.

Table (6.5): Sales by geography

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G	2016G	2017G	December 2016G	December 2017G	2015G-2017G
Central region	488,129	342,881	583,121	(29.8%)	70.1%	9.3%
Eastern region	94,045	78,801	81,117	(16.2%)	2.9%	(7.1%)
Western region	134,631	232,341	178,562	72.6%	(23.1%)	15.2%
Total	**716,805**	**654,024**	**842,800**	**(8.8%)**	**28.9%**	**8.4%**

Source: Management information

Sales from the Central region declined by 29.8% in 2016G from SAR 488.1 million in 2015G to SAR 342.9 million in 2016G. This primarily resulted from a decline in tenders from government customers due to budgetary restrictions in the wake of economic downturn. In contrast, sales increased by 70.1% in 2017G, from SAR 342.9 million in 2016G to SAR 583.1 million in 2017G. This primarily resulted from an increase in projects won from government customers as well as an increase in revenue from Cloud Services from government and private sector customers.

Sales from the Eastern region declined by 16.2% in 2016G, from SAR 94.0 million in 2015G to SAR 78.8 million in 2016G. This primarily resulted from completion of certain services (solutions, systems, and data management services) at the end of 2015G upon expiry of these contracts, which were not present in 2016G. Sales in the Eastern region did not fluctuate materially between 2016G and 2017G.

Sales from the Western region increased by 72.6% in 2016G, from SAR 134.6 million in 2015G to SAR 232.3 million in 2016G. This primarily resulted from a data management project for a private sector customer operating in diversified business and an operation and maintenance project from a government customer. Sales decreased by 23.1% in 2017G from SAR 232.3 million in 2016G to SAR 178.6 million in 2017G. This resulted primarily from the completion of the data management project of a private sector customer operating in a variety of business activities.

6.5.1.3 Cost of sales

The following table presents the Company's cost of sales for the financial years ended 31 December 2015G, 2016G, and 2017G.

Table (6.6): Cost of sales

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G	2016G	2017G	December 2016G	December 2017G	2015G-2017G
Cost of sales – gross	629,102	564,822	708,599	(10.2%)	25.5%	6.1%
Discounts	(9,168)	(9,261)	(4,129)	1.0%	(55.7%)	(32.9%)
Total	**619,935**	**555,561**	**704,470**	**(10.4%)**	**26.8%**	**6.6%**

Source: Management information

Cost of sales (net) decreased by 10.4% during 2016G from SAR 619.9 million in 2015G to SAR 555.6 million in 2016G, while it increased by 26.8% to SAR 704.5 million during 2017G. This was largely in line with the sales movement during the reporting period.

Rebates represent benefits granted by the Company's vendors for achieving certain sales or payment targets. Such benefits are offset against cost of sales. Rebates did not witness material fluctuation between 2015G and 2016G. The rebates declined by 55.7% in 2017G, from SAR 9.3 million in 2016G to SAR 4.1 million in 2017G. This was mainly because certain products sold during 2017G did not qualify for supplier rebates.

Cost of sales by component

The following table presents the Company's cost of sales by component for the financial years ended 31 December 2015G, 2016G, and 2017G.

Table (6.7): Cost of sales by component

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G	2016G	2017G	December 2016G	December 2017G	2015G-2017G
Hardware	272,088	138,612	150,943	(49.1%)	8.9%	(25.5%)
Services	64,545	78,155	76,175	21.1%	(2.5%)	8.6%
Licenses	44,520	140,650	196,205	215.9%	39.5%	109.9%
Maintenance	193,266	129,114	205,746	(33.2%)	59.4%	3.2%
Employee costs	45,515	69,028	75,400	51.7%	9.2%	28.7%
Total	**619,935**	**555,561**	**704,470**	**(10.4%)**	**26.8%**	**6.6%**

Source: Management information

Hardware cost represents the purchase cost of all types of hardware including but not limited to networking, data management, servers, unified communication hardware, etc. Hardware cost declined by 49.1% in 2016G, from SAR 272.1 million in 2015G to SAR 138.6 million in 2016G. This primarily resulted from the increase witnessed in contracts entered for licenses during the year as opposed to hardware-based contracts completed in 2015G on account of government customers. In contrast, Hardware cost increased by 8.9% in 2017G, from SAR 138.6 million in 2016G to SAR 150.9 million in 2017G. This primarily resulted from a system integration project provided to a government customer in the education sector.

Services mainly represent the service costs paid to hardware vendors including networking, data management, servers, and unified communication hardware. Moreover, these also include implementation and installation service costs. Services cost increased by 21.1% in 2016G, from SAR 64.5 million in 2015G to SAR 78.2 million in 2016G. This primarily resulted from data management services rendered to a key private sector customer operating in diversified business sector. Services cost did not fluctuate materially between 2016G and 2017G.

License costs represent the acquisition cost of all licenses and subscriptions from various vendors. License costs increased by 215.9% in 2016G, from SAR 44.5 million in 2015G to SAR 140.7 million in 2016G. This primarily resulted from new projects in relation to the Oracle Cloud, which was introduced during 2016G. The cost further increased by 39.5% in 2017G, from SAR 140.7 million in 2016G to SAR 196.2 million in 2017G. This primarily resulted from new contracts entered relating to Oracle Cloud space during 2017G.

Maintenance costs are mainly related to support costs paid to vendors for licenses and subscriptions. Maintenance costs declined by 33.2% in 2016G, from SAR 193.3 million in 2015G to SAR 129.1 million in 2016G. This primarily resulted from expiration of various maintenance contracts during 2016G. In contrast, maintenance costs increased by 59.4% in 2017G, from SAR 129.1 million in 2016G to SAR 205.7 million in 2017G. This primarily resulted from extension of expired maintenance contracts pertaining to the government sector. It is worth noting that maintenance costs are not necessarily included in the license and subscription contracts, and that licenses and subscriptions can be purchased, net of maintenance costs, and vice versa, whereas support services can be provided to customers without selling licenses and subscriptions to these customers.

Employee costs represent the salaries and benefits of the staff directly involved in large-scale projects such as government offices to provide on-site operation and maintenance services. Employee costs increased by 51.7% in 2016G from SAR 45.5 million in 2015G to SAR 69.0 million in 2016G. This mainly resulted from new contracts with municipalities and education sector customers. In 2017G, employee cost further increased by 9.2% from SAR 69.0 million in 2016G to SAR 75.4 million in 2017G, primarily due to new contracts with government customers.

Cost of sales by Business Unit

The following table presents the Company's cost of sales by business unit for the financial years ended 31 December 2015G, 2016G, and 2017G.

Table (6.8): Cost of sales by Business Unit

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Cost of sales by unit						
Solutions	86,743	241,495	290,409	178.4%	20.3%	83.0%
E-Service	46,085	60,772	76,945	31.9%	26.6%	29.2%
Operation and Maintenance	61,647	86,882	114,393	40.9%	31.7%	36.2%
Networks	87,135	59,423	80,851	(31.8%)	36.1%	(3.7%)
Systems	267,201	46,480	73,989	(82.6%)	59.2%	(47.4%)
Information Security Systems	71,123	60,509	67,884	(14.9%)	12.2%	(2.3%)
Total	**619,935**	**555,561**	**704,470**	**(10.4%)**	**26.8%**	**6.6%**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

Cost of sales for the Solutions unit increased by 178.4% in 2016G, from SAR 86.7 million in 2015G to SAR 241.5 million in 2016G. This primarily resulted from the restructuring of the certain products and services (including Oracle products) from the Systems unit to the Solutions unit, as the Company bifurcated these based on the nature of products and services provided under each unit in order to better analyze the units' performance, and the comparatives have been restated. Cost of sales for the Solutions unit further increased by 20.3% in 2017G, from SAR 241.5 million in 2016G to SAR 290.4 million in 2017G. This primarily resulted from higher discounts offered by the Company to customers in order to increase its customer portfolio, given that offering larger discounts motivates customers to work with the Company, resulting in higher sales and cost of sales. The gross margins in the Solutions unit were 9.7%, 9.9% and 9.6% for 2015G, 2016G, and 2017G, respectively.

Cost of sales for the E-Services unit increased by 31.9%, despite an increase in this unit's sales by 41.0% in 2016G. This was mainly due to higher margins on major projects in the telecommunications sector. Cost of sales for this unit further increased by 26.6% in 2017G, from SAR 60.8 million in 2016G to SAR 76.9 million in 2017G. This primarily resulted from an increase in revenue from one of the key customers operating in telecommunication sector by SAR 72.0 million in connection with BMC support services. The gross margins in the E-Services unit were 30.6%, 35.1% and 43.0% in 2015G, 2016G, and 2017G, respectively. During 2017G, the gross margins increased as a result of higher margins with a customer in the private sector for the provision of BMC support services.

Cost of sales for the Operation and Maintenance unit increased by 40.9% in 2016G, from SAR 61.6 million in 2015G to SAR 86.9 million in 2016G, against an increase of 34.1% in sales. This primarily resulted from a general decrease in margins of operation and maintenance contracts entered in 2015G and 2016G particularly with government customers. Cost of sales for this unit further increased by 31.7% in 2017G, from SAR 86.9 million in 2016G to SAR 114.4 million in 2017G as compared to an increase in the unit's sales by 35.0%. This primarily resulted from higher margins in contracts with the Ministry of Culture & Information and the Ministry of Municipal & Rural Affairs (MOMRA). Gross margins in the Operation and Maintenance unit were 14.4%, 10.0%, and 12.2% in 2015G, 2016G, and 2017G, respectively.

Cost of sales for the Networking unit declined by 31.8% in 2016G from SAR 87.1 million in 2015G to SAR 59.4 million in 2016G. This primarily resulted from overall decline in business activity driven by decreased public spending affecting government customers in the wake of an overall economic downturn. In contrast, cost of sales for this unit increased by 36.1% in 2017G from SAR 59.4 million in 2016G to SAR 80.9 million in 2017G. This primarily resulted from the awarding of new contracts amounting to SAR 23.5 million pertaining to CISCO networking. The gross margins in the Networking unit were 12.0%, 17.6% and 14.8% in 2015G, 2016G, and 2017G, respectively. The variation in margins over the period was due to variation of cost of sales as a percentage of sales. Profit margins vary from one customer to another and depend mainly on the different services provided based on the agreed contracts.

Cost of sales for the Systems unit declined by 82.6% in 2016G from SAR267.2 million in 2015G to SAR 46.5 million in 2016G. This primarily resulted from reclassification of revenue between the business units, as certain products and services for key vendors were restructured from the Systems unit to the Solutions unit. The Company bifurcated these based on the nature of products and services provided under each unit in order to better analyze the units' performance and the comparatives were restated. Cost of sales from the Systems unit increased by 59.2% in 2017G against an increase of 57.4% in sales. This primarily resulted from a general decrease in profit margins of the Company. The gross margins in the Systems unit were 11.0%, 12.9%, and 11.9% in 2015G, 2016G, and 2017G, respectively. The profitability may vary on a year-on-year basis depending on the services offered as well as the percentage of discount given to the customer.

Cost of sales for the Information and Security System unit decreased by 14.9% in 2016G from SAR 71.1 million in 2015G to SAR 60.5 million in 2016G. This primarily resulted from the overall decline in public spending by government customers in the wake of economic downturn, in addition to a decrease in sales of Information Security unit by 15.4% in 2016G. In contrast, cost of sales for this unit increased by 12.2% in 2017G, from SAR 60.5 million in 2016G to SAR 67.9 million in 2017G. This primarily resulted from the awarding of new contracts amounting to a combined value of SAR 6.9 million. The gross margins in the Information and Security System unit were 14.4%, 13.9%, and 12.5% in 2015G, 2016G, and 2017G, respectively. A variation in margins may occur as a result of discounts offered as well as the type of service requested by the customer.

The following table presents the Company's profit margin by business unit for the financial years ended 31 December 2015G, 2016G, and 2017G.

Table (6.9): Profit margin by Business Unit

SAR thousand	Financial year ended 31 December		
	2015G	2016G	2017G
Profit margin by business unit			
Solutions	9.7%	9.9%	9.6%
E-Service	30.6%	35.1%	43.0%
Operation and Maintenance	14.4%	10.0%	12.2%
Networks	12.0%	17.6%	14.8%
Systems	11.0%	12.9%	11.9%
Information Security Systems	14.4%	13.9%	12.5%
Total	**13.5%**	**15.1%**	**16.4%**

Source: Management information

6.5.1.4 General and Administrative Expenses

The following table presents the Company's general and administrative expenses for the financial years ended 31 December 2015G, 2016G, and 2017G.

Table (6.10): General and administrative expenses

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Employee costs	22,006	20,851	22,738	(5.2%)	9.0%	1.7%
Rent	2,261	2,537	2,481	12.2%	(2.2%)	4.7%
Contractual penalties	736	644	1,389	(12.5%)	115.6%	37.4%
Professional fees	706	330	1,225	(53.2%)	271.0%	31.8%
Withholding tax expenses	1,532	2,701	1,036	76.3%	(61.7%)	(17.8%)
Office Supplies	1,037	977	728	(5.8%)	(25.5%)	(16.2%)
Provision for doubtful receivables	644	399	537	(38.0%)	34.5%	(8.7%)
Depreciation	378	358	340	(5.5%)	(4.9%)	(5.2%)
Postage and communication	290	576	322	98.7%	(44.1%)	5.4%
Travel	514	401	309	(22.0%)	(22.9%)	(22.5%)
Amortization	322	346	307	7.3%	(11.3%)	(2.4%)
Others	214	366	635	71.5%	73.4%	72.5%
Total	**30,640**	**30,487**	**32,047**	**(0.5%)**	**5.1%**	**2.3%**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

Employee costs include salaries and benefits paid to employees working in the head office in Riyadh. Employees cost declined by 5.2% in 2016G, from SAR 22.0 million in 2015G to SAR 20.9 million in 2016G. This was mainly due to staff terminations undertaken by the Company during the year as a result of cost cutting measures. In contrast, employee costs increased by 9.0% in 2017G, from SAR 20.9 million in 2016G to SAR 22.7 million in 2017G. This was mainly on account of salary expense of the new General Manager hired by the Company in June 2017G.

Rent expenses are related to lease costs for the head office in Riyadh and branch offices in Jeddah and Khobar. Rent expenses increased by 12.2% in 2016G, from SAR 2.3 million in 2015G to SAR 2.5 million in 2016G. This primarily resulted from the increase in annual rent cost of the head office in Riyadh. Rent expenses did not witness material fluctuation between 2016G and 2017G.

Contractual penalties represent the penalties imposed by customers on the Company for time delay in the completion of orders. These penalties are deducted by the customers from the payments owed to the Company. The expense did not witness material fluctuation between 2015G and 2016G. Contractual penalties increased by 115.6% in 2017G, from SAR 0.6 million in 2016G to SAR 1.4 million in 2017G. This primarily resulted from an additional penalty imposed by a customer amounting to SAR 0.7 million, as a result of delay in the completion of order.

Professional fees mainly represent expenses incurred on external audit, Zakat, and legal consultancy. These fees declined by 53.2% in 2016G, from SAR 0.7 million in 2015G to SAR 0.3 million 2016G. This primarily resulted from additional expenses incurred for Zakat consultancy in connection with the Company's withholding tax expenses during 2015G. Professional fees increased by 271.0% in 2017G, from SAR 0.3 million in 2016G to SAR 1.2 million in 2017G. This primarily resulted from the expenses incurred for IFRS conversion of the Company's financial statements.

Withholding tax expenses are payable by the Company upon payments made to vendors outside KSA. These payments are made in connection with hardware, software, or support services acquired from international vendors. Withholding tax expenses in 2015G and 2016G primarily represented provisions made by the Company for previous years. The expenses increased by 76.3% in 2016G, from SAR 1.5 million in 2015G to SAR 2.7 million 2016G. This growth was mainly attributed to the increase in international suppliers' payments during 2016G compared to 2015G. In contrast, withholding tax expense decreased by 61.7% to SAR 1.0 million in 2017G. Withholding tax payments recognized in the statement of income during the year 2017G represented the expenses incurred by the Company for the services utilized from suppliers outside the Kingdom, which could not be recovered from customers, in addition, some of the international suppliers refused to deduct these taxes. The Company began submitting returns on withholding tax expenses which were deducted from international suppliers, and paying them to the General Authority for Zakat and Tax (GAZT) on a monthly basis in 2017G.

Office supplies expenses pertain to various office consumables including stationery, printer supplies, repairs, and maintenance. The expense did not witness material fluctuation between 2015G and 2016G. The expense declined by 25.5% in 2017G, from SAR 1.0 million in 2016G to SAR 0.7 million in 2017G. This primarily resulted from the cost optimization measures implemented by the Company.

Provision for doubtful receivables is recorded by assessing the recoverability of individual debtor/invoices at year-end and after a thorough follow-up of expected collection with customers. Moreover, specific provisions are considered on a case-to-case basis and in the absence of any response to follow up on outstanding invoices, a provision is created. Provisions are mainly recorded for customers in the private sector, whereas no provision is recorded against government customers, unless they are outstanding for more than five years. Provision expense did not witness material fluctuation between 2015G and 2017G.

Depreciation expenses are mainly comprised of depreciation for equipment, furniture and fixtures, and motor vehicles. Depreciation expenses did not witness material fluctuation between 2015G and 2017G as there were no major additions to the depreciable fixed assets during the period.

Postage and communications expenses mainly refer to expenses pertaining to courier charges and communication expenses. Postage and communications increased by 98.7% from SAR 0.3 million in 2015G to SAR 0.6 million in 2016G. In contrast, these expenses decreased by 44.1% to SAR 0.3 million in 2017G. This was mainly due to a one-time expense of SAR 0.3 million incurred by the Company for leasing a data line in 2016G, which the Company did not have in 2017G.

Travel expenses represent the payments incurred for employees travelling on account of site surveys for tender purposes. These expenses were incurred in the ordinary course of business and did not witness material fluctuation between 2015G and 2017G.

Amortization is mainly comprised of amortization costs on Geographic Information System (GIS), Sales Force Cloud, HR MenaMe, and Microsoft Dynamics ERP Software during 2015G only as this program was fully amortized by31 December 2015G. The expense did not witness material fluctuation between 2015G and 2017G.

Other expenses mainly represent expenses pertaining to electricity costs for offices in Riyadh, Jeddah, and Khobar as well as expenses pertaining to provision for advances to suppliers. These expenses increased by 71.5% and 73.4% in 2016G and 2017G, respectively. This primarily resulted from the expenses incurred for selling and marketing purposes, which were classified under other expenses.

6.5.1.5 Selling and Distribution Expenses

The following table presents the Company's selling & distribution expenses for the financial years ended 31 December 2015G, 2016G, and 2017G.

Table (6.11): Selling and distribution expenses

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Employee costs	8,463	9,316	7,499	10.1%	(19.5%)	(5.9%)
Advertising and sales promotion	3,924	3,214	4,300	(18.1%)	33.8%	4.7%
Total	**12,387**	**12,531**	**11,800**	**1.2%**	**(5.8%)**	**(2.4%)**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

Employee costs mainly represent the compensation paid to the marketing and sales force. Employee costs increased by 10.1% in 2016G, from SAR 8.5 million in 2015G to SAR 9.3 million in 2016G. This primarily resulted from the increase in bonuses and commissions by SAR 0.8 million in 2016G. Employee costs declined by 19.5% in 2016G, from SAR 9.3 million in 2016G to SAR 7.5 million in 2017G. This primarily resulted from the reduction in salary expenses due to the resignation of the Sales and Marketing Manager in April 2017G.

Advertising and sales promotion mainly relates to expenses incurred on seminars and various other events held by the Company's key vendors. The advertising and sales promotion expenses may vary year-on-year, depending on the number of events held by the vendors.

6.5.1.6 Financial Charges

The following table sets out the Company's financial charges for the financial years ended 31 December 2015G, 2016G, and 2017G:

Table (6.12): Financial charges

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G	2016G	2017G	December 2016G	December 2017G	2015G-2017G
Bank commission on loans	5,871	10,514	8,423	79.1%	(19.9%)	19.8%
Banks charges	1,097	1,370	1,776	24.9%	29.6%	27.3%
Bank management fees	1,773	1,992	1,799	12.3%	(9.7%)	0.7%
Others	340	585	263	71.8%	(55.0%)	(12.0%)
Total	**9,081**	**14,461**	**12,262**	**59.2%**	**(15.2%)**	**16.2%**

Source: Management information

Bank commission on loans refer to the interest costs on short-term borrowings from the banks for meeting working capital requirements. Bank commission on loans increased by 79.1% in 2016G, from SAR 5.9 million in 2015G to SAR 10.5 million in 2016G. This primarily resulted from additional borrowing facility utilized by the Company during 2015G as well as an increase in the SIBOR rate. Bank commission on loans declined by 19.9% in 2017G, from SAR 10.5 million in 2016G to SAR 8.4 million in 2017G. This primarily resulted from the decline in average borrowings in 2017G as compared to 2016G.

Bank charges mainly refer to charges borne by the Company on funds transfer, as well as issuance or amendment of LCs or LGs. Bank charges increased at a CAGR of 27.3% between 2015G and 2017G mainly on account of a higher amounts of LCs and LGs issued by the Company.

Bank management fees mainly represents the administrative expenses charged by the banks upon disbursement of short-term facilities, as agreed in the respective financing facility agreements.

Others mainly refer to foreign exchange charges on payments made to international vendors. These expenses may fluctuate on a yearly basis depending on the amount of purchases and the movement in forex rates.

6.5.1.7 Other Income

The following table presents the Company's income statement for other income for the financial years ended 31 December 2015G, 2016G, and 2017G.

Table (6.13): Other income

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G	2016G	2017G	December 2016G	December 2017G	2015G-2017G
Reversal for write offs	-	-	412	-	N/A	N/A
Expense reimbursement - Edarat CIT	-	-	318	-	N/A	N/A
HRDF claims	437	805	502	84.3%	(37.7%)	7.2%
Interest received	74	265	275	259.3%	3.5%	92.9%
Others	124	103	79	(17.1%)	(23.0%)	(20.1%)
Total	**634**	**1,173**	**1,585**	**84.9%**	**35.1%**	**58.1%**

Source: Management information

Reversal for write-offs related to the recovery of receivables amounting to SAR 0.4 million in 2017G. No reversal was recorded in 2015G and 2016G.

Expense reimbursement pertains to the expenses paid by the Company on behalf of Edarat CIT on account of sharing office space with the Company. These expenses mainly include rent and other miscellaneous repair and maintenance expenses incurred by the Company on behalf of Edarat CIT, noting that the Company has no formal agreement with respect to leasing office space to Edarat CIT, and that it will continue to lease that office space to Edarat CIT at the

Company's new headquarters. These expenses are recorded in full by the Company and later settled against payables to Edarat CIT for post-sale implementation services provided to the Company. Prior to 2017G, these expenses were recorded as a rebate and adjusted from the cost of sales.

Human Resource Development Fund (HRDF) claims mainly represent partial reimbursement of employee costs provided by HDRF as an incentive for hiring and training Saudi employees. The income may vary on a year-to-year basis depending on the number of Saudi staff hired and trained, noting that subsidies provided by the HRDF stopped during 2017G.

Interest received mainly referred to income generated from time deposits held by the Company. The increase in interest income by 259.3% in 2016G was mainly associated with higher short-term deposits made during 2016G and 2017G, which were matured at the end of each year-end, therefore not increasing the short-term deposit balances on 31 December 2016G. This income did not witness material fluctuation between 2016G and 2017G.

Other income mainly refers to income received from US Dollar to Saudi Riyal (USD/SAR) hedge cash settlement. Other income did not witness material fluctuation between 2015G and 2017G.

6.5.1.8 Share in Results of Associates

The following table presents the Company's share in results of associates for the financial years ended 31 December 2015G, 2016G, and 2017G.

Table (6.14): Share in results of associates

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Investments in associates						
Edarat Group SAL	304	225	225	(26.0%)	0.3%	(13.9%)
Edarat Co. for Communication & Information Technology (Edarat CIT)	526	1,081	1,043	105,6%	(3.5%)	40,9%
Phoenicia Tech Worldwide Inc.	2,508	1,280	792	(49.0%)	(38.1%)	(43.8%)
Total	**3,338**	**2,585**	**2,061**	**(22.5%)**	**(20.3%)**	**(21.4%)**
Share in results of associates						
Edarat Group SAL	13	(79)	1	(723.1%)	(100.7%)	(78,8%)
Edarat Co. for Communication & Information Technology (Edarat CIT)	200	555	(38)	178.0%	(106.8%)	N/A
Phoenicia Tech Worldwide Inc.	180	(1,229)	(488)	(783.4%)	(60.3%)	N/A
Share in results of associates	392	(752)	(525)	(291.8%)	(30.2%)	N/A

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

The Company holds 50.0% ownership in all of its associates. The results of these associates are accounted for in the Company's financials under the equity method.

Edarat SAL is a Lebanon-based company involved in providing technology-based solutions to improve the effectiveness and efficiencies within and across the supply chain for public and private companies. It also undertakes IT consulting and contracting, as well as engineering and technical studies in Lebanon. The Company holds 50.0% of Edarat SAL directly with no part ownership with the Company's shareholders.

Edarat CIT is a Saudi-based company mainly engaged in providing services for the preparation, implementation, development, installation and maintenance of computer programs, applications, networks, computer equipment and communications. The Company carved out Edarat CIT during 2009G in order to provide post-sale implementation services directly in the market.

Phoenicia Tech Worldwide Inc. is a British Virgin Islands-based company involved in providing technology-based solutions to improve the effectiveness and efficiencies within and across the supply chain for public and private companies. The Company holds 50.0% of Phoenicia Tech Worldwide Inc. directly with no part ownership with the Company's shareholders.

The Company's share in results of associates' changed from an income of SAR 0.4 million in 2015G to a loss of SAR 0.8 million in 2016G. This primarily resulted from losses recorded by Phoenicia Tech Worldwide Inc. The Company's share of the losses from associates, which amounted to SAR 0.5 million in 2017G, resulted from losses reported by Phoenicia Tech Worldwide Inc. in addition to losses reported by Edarat CIT.

6.5.1.9 Zakat

The following table presents the Company's Zakat for the financial years ended 31 December 2015G, 2016G, and 2017G.

Table (6.15): Zakat

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Beginning of the year	6,086	7,044	7,035	15.7%	(0.1%)	7.5%
Payment during the year	4,882	5,321	6,473	9.0%	21.6%	15.1%
Invoiced during the year	(3,924)	(4,883)	(5,321)	24.4%	9.0%	16.4%
Reclassification during the year	-	-	(1,713)	-	N/A	N/A
Reversal during the year	-	(448)	-	N/A	(100.0%)	N/A
Total	**7,044**	**7,035**	**6,473**	**(0.1%)**	**(8.0%)**	**(4.1%)**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

Zakat is calculated in accordance with rules and regulation issued by the General Authority of Zakat and Tax (GAZT). Zakat grew at a CAGR of 15.1% from SAR 4.9 million in 2015G to SAR 6.5 million in 2017G. This primarily resulted from an increase in the Zakat base of the Company from SAR 195.3 million on 31 December 2015G to SAR 258.9 million on 31 December 2017G.

Zakat provision decreased by 8.0% on 31 December 2017G from SAR 7.0 million on 31 December 2016G to SAR 6.5 million on 31 December 2017G. This primarily resulted due to reclassification of net provision of SAR 1.7 million to WHT payable under accrued expenses and other liabilities. This provision was created in 2008G when the Company changed from a limited liability company to a joint stock company.

6.5.1.10 Net Income

Net income decreased by 11.8% in 2016G from SAR 40.9 million in 2015G to SAR 36.1 million in 2016G. This primarily resulted from an increase in financial charges due to additional borrowing facilities utilized by the Company during 2015G, as well as an increase in the SIBOR rate, the full year impact of which was observed in 2016G.

Net income increased by 112.9% in 2017G from SAR 36.1 million in 2016G to SAR 76.8 million in 2017G. This was primarily due to an increase in the Company's sales from SAR 654.0 million in 2016G to SAR 842.8 million in 2017G. Sales growth was observed across all business units. Moreover, the increase in gross profit margin and the decrease in selling and distribution expenses in 2017G also improved net income for the year. Higher gross profit margin was mainly associated with the E-Services unit arising from two key customers, while the decrease in sales and distribution expenses was mainly driven by lower employee costs.

6.5.2 Balance Sheet

The following table presents the Company's balance sheet as of 31 December 2015G, 2016G, and 2017G.

Table (6.16): Balance Sheet

SAR thousand	Financial year ended 31 December			Increase/ (Decrease)	Compounded annual growth rate (CAGR)	
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Assets						
Current Assets	532,473	538,583	694,623	1.1%	29.0%	14.2%
Non-current assets	5,278	4,285	12,199	(18.8%)	184.7%	52.0%
Total assets	**537,751**	**542,869**	**706,821**	**1.0%**	**30.2%**	**14.6%**
Liabilities and shareholders' equity						
Current Liabilities	366,511	360,169	497,465	(1.7%)	38.1%	16.5%
Non-current liabilities	10,912	11,908	12,899	9.1%	8.3%	8.7%
Total liabilities	**377,423**	**372,078**	**510,364**	**(1.4%)**	**37.2%**	**16.3%**
Shareholders' equity	160,328	170,791	196,458	6.5%	15.0%	10.7%
Total liabilities & equity	**537,751**	**542,869**	**706,821**	**1.0%**	**30.2%**	**14.6%**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

Current assets mainly comprise of cash and bank balances, accounts receivable, and unbilled receivables. Current assets did not witness material fluctuation between 31 December 2015G and 31 December 2016G. Current assets increased by 29.0% on 31 December 2017G from SAR 538.6 million on 31 December 2016G to SAR 694.6 million on 31 December 2017G. This primarily resulted from increases in accounts receivable and unbilled receivables as a result of overall increase in sales during 2017G as well as extended credit period allowed to the customers by the Company.

Non-current assets mainly comprise of property and equipment, investments in associates, and intangible assets. Non-current assets declined by 18.8% on 31 December 2016G, from SAR 5.3 million on 31 December 2015G to SAR 4.3 million on 31 December 2016G. This primarily resulted from the decrease in investment in associates due to share of loss reported by "Phoenicia" amounting to SAR 1.2 million. Non-current assets increased by 184.7% on 31 December 2017G, from SAR 4.3 million on 31 December 2016G to SAR 12.2 million on 31 December 2017G. This primarily resulted from the increase in property and equipment driven by the purchase of land amounting to SAR 8.1 million during 2017G.

Current liabilities mainly comprise of short-term loans, accrued expenses and other liabilities, and accounts payable. Current liabilities did not witness material fluctuation between 31 December 2015G and 31 December 2016G. Current liabilities increased by 38.1% by 31 December 2017G, from SAR 360.2 million on 31 December 2016G to SAR 497.5 million on 31 December 2017G. This primarily resulted from increases in accrued expenses & other liabilities, accounts payable, and dividends payable.

Non-current liabilities comprise of employees' end-of-service indemnities. Employees' end-of-service indemnities increased at a CAGR of 8.7% between 31 December 2015G and 31 December 2017G. This primarily resulted from an increase in the total head count of the Company as well an increase in the service years of the existing staff.

Shareholders' equity comprise of share capital, statutory reserve, retained earnings and fair value reserve. Shareholder's equity grew at a CAGR of 10.7% between 31 December 2015G and 31 December 2017G. This primarily resulted from the increase in retained earnings driven by net profit generated by the Company between 2015G and 2017G.

6.5.2.1 Current Assets

The following table presents the Company's current assets as of 31 December 2015G, 2016G, and 2017G.

Table (6.17): Current Assets

SAR thousand	Financial year ended 31 December			Increase/ (Decrease)	Compounded annual growth rate (CAGR)	
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Current Assets						
Cash & bank balances	44,561	50,687	55,814	13.7%	10.1%	11.9%
Accounts receivable	325,276	325,546	369,929	0.1%	13.6%	6.6%
Unbilled receivables	150,409	144,844	253,048	(3.7%)	74.7%	29.7%
Prepayment and other receivables	11,402	16,720	15,045	46.6%	(10.0%)	14.9%
Amounts due from an associate	780	787	787	0.9%	-	0.4%
Investment held for trading	44	-	-	(100.0%)	-	(100.0%)
Total	**532,473**	**538,583**	**694,623**	**1.1%**	**29.0%**	**14.2%**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

Cash and bank balances

The following table presents the Company's cash and bank balances as of 31 December 2015G, 2016G, and 2017G.

Table (6.18): Cash and bank balances

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Bank balances	41,861	47,987	55,814	14.6%	16.3%	15.5%
Short-term deposits	2,700	2,700	-	-	(100.0%)	(100.0%)
Total	**44,561**	**50,687**	**55,814**	**13.7%**	**10.1%**	**11.9%**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

Cash and bank balances comprise of bank balances and short-term deposits. Cash and bank balances grew at a CAGR of 11.9% between 31 December 2015G and 31 December 2017G. This primarily resulted from the cash inflow generated by the Company from operations during 2016G and 2017G.

Short-term deposits are mainly related to interest income on time deposits held by the Company during 2015G and 2016G. The Company held short-term deposits with the National Bank of Kuwait. No such deposit was held by the Company as of 31 December 2017G.

Accounts receivable

The following table presents the Company's accounts receivable as of 31 December 2015G, 2016G, and 2017G.

Table (6.19): Accounts receivable

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Trade accounts receivable	330,607	331,276	370,466	0.2%	11.8%	5.9%
Less: Provision for doubtful debts	(5,331)	(5,730)	(537)	7.5%	(90.6%)	(68.3%)
Net trade receivables	**325,276**	**325,546**	**369,929**	**0.1%**	**13.6%**	**6.6%**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

The following table presents ageing of the Company's net trade receivables as of 31 December 2016G and 2017G.

Table (6.20): Ageing of net trade receivables

SAR thousand	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	Total
31 December 2017G	109,296	76,533	36,269	67,610	29,814	50,407	**369,929**
31 December 2016G	110,350	33,305	14,289	61,201	40,276	66,124	**325,546**

Source: the Company's audited financial statements for the financial years ended 31 December 2016G and 2017G

Trade accounts receivable comprise of the outstanding receivables billed to customers presented as net of provision at each balance sheet date. Trade accounts receivable did not witness material fluctuation between 31 December 2015G and 31 December 2016G. Trade accounts receivable increased by 11.8% on 31 December 2017G, from SAR 331.3 million on 31 December 2016G to SAR 370.5 million on 31 December 2017G. This primarily resulted from an increase in sales by SAR 188.8 million during 2017G.

The Company has a policy of creating a provision against receivables pertaining to private customers after 120 days past the due date, whereas no provision is created for government customers until the balance is overdue for more than five years past the due date. Provision for doubtful debts declined by 90.6% on 31 December 2017G, from SAR 5.7 million on 31 December 2016G to SAR 0.5 million on 31 December 2017G. This primarily resulted from writing off the entire provision balance of SAR 5.7 million accumulated until the start of 2017G by the Company. These provisions were accumulating since 2008G and the Company was certain that these receivables will not be collected, and thus had been written off.

Total accounts receivable which were less than 30 days past due accounted for 29.5%, while those which were 31-60 days past due accounted for 20.7% of net trade receivables as of 31 December 2017G. Total accounts receivable which were over 1 year past due pertain to government-related customers whose credit terms have been extended.

Unbilled receivables

The following table presents the Company's unbilled receivables as of 31 December 2015G, 2016G, and 2017G.

Table (6.21): Unbilled receivables

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G	2016G	2017G	December 2016G	December 2017G	2015G-2017G
Opening unbilled receivables	35,605	150,409	144,844	322.4%	(3.7%)	101.7%
Revenue for the year	150,409	102,995	200,927	(31.5%)	95.1%	15.6%
Less: Invoiced during the year	(35,605)	(108,561)	(92,723)	204.9%	(14.6%)	61.4%
Net unbilled receivable	**150,409**	**144,844**	**253,048**	**(3.7%)**	**74.7%**	**29.7%**

Source: Management information

Unbilled receivables result from the difference between the revenue recognition (on the basis of percentage of completion) and billing cycle (on the basis of agreed milestones with customers).

Net unbilled receivables decreased by 3.7% on 31 December 2016G, from SAR 150.4 million on 31 December 2015G to SAR 144.8 million on 31 December 2016G. This primarily resulted from the fluctuation in sales between 2015G and 2016G. The balance increased by 74.7% as of 31 December 2017G, from SAR 144.8 million on 31 December 2016G to SAR 253.0 million on 31 December 2017G. This was mainly on account of extended payment terms with customers in the private sector for the provision of software licenses and hardware support under the E-Services and Systems units, respectively. Moreover, the increase in sales during 2017G also contributed to the increase in balance.

Prepayments and other receivables

The following table presents the Company's prepayments and other receivables as of 31 December 2015G, 2016G, and 2017G.

Table (6.22): Prepayments and other receivables

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Margin on LCs	6,056	8,913	8,664	47.2%	(2.8%)	19.6%
Advances to suppliers	2,283	4,244	2,759	85.9%	(35.0%)	9.9%
Prepaid rent	1,575	1,511	1,342	(4.1%)	(11.2%)	(7.7%)
Advances to employees	1,220	1,065	1,012	(12.7%)	(4.9%)	(8.9%)
Prepaid insurance	293	339	347	15.7%	2.4%	8.8%
Prepaid government fees	24	104	68	333.3%	(34.6%)	68.3%
Other receivables	562	1,278	1,646	127.3%	28.9%	71.1%
Less: provision for doubtful advances to suppliers	(612)	(734)	(794)	19.9%	8.2%	13.9%
Total	**11,402**	**16,720**	**15,045**	**46.6%**	**(10.0%)**	**14.9%**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

Letters of Credit (LCs) are mainly issued to foreign and local suppliers in respect of the hardware, license, support and/or services imported or purchased locally. Issuance of LCs by banks on behalf of the Company are covered as part of the short-term financing agreements. Further, letters of guarantee (LGs) were issued for the submission of bid bonds and performance bonds to government customers. The balance increased by 47.2% as of 31 December 2016G, from SAR 6.1 million on 31 December 2015G to SAR 8.9 million on 31 December 2016G. This was primarily driven by margin charged by a local bank on a LC issued for a key supplier financing to a foreign bank as well as additional bid bonds and performance bonds issued during the year. The balance did not witness material fluctuation between 31 December 2016G and 2017G.

Advances to suppliers were paid to vendors against services, which were not rendered at the end of each balance sheet date. These included advances for the purchase of hardware, software, advances for providing post sale implementation services and professional fees. Advances to suppliers increased by 85.9% on 31 December 2016G, from SAR 2.3 million on 31 December 2015G to SAR 4.2 million on 31 December 2016G. This primarily resulted from advances paid to one of the suppliers amounting to SAR 0.8 million in connection with data and cloud management services. Additionally, SAR 0.8 million in advances were provided to various consultants in connection with Company's proposed IPO, noting that the Selling Shareholders will refund these expenses to the Company from the IPO proceeds. The balance declined by 35.0% as of 31 December 2017G, from SAR 4.2 million on 31 December 2016G to SAR 2.8 million on 31 December 2017G. This primarily resulted from the settlement of advances amounting to SAR 1.3 million.

Prepaid rent refers to leased offices in Riyadh, Jeddah, and Khobar. Prepaid rent did not witness material fluctuation between 31 December 2015G and 31 December 2017G.

Advances to employees mainly refer to housing advances paid to all non-Saudi employees at the time of joining the Company and is equal to their six-month housing allowance. These advances are deducted from employee salaries on an equal monthly basis. The balance did not witness material fluctuation between 31 December 2015G and 2017G.

Prepaid insurance refers to annual premiums in respect of medical and projects insurance. Project insurance coverage is required on government projects, where certain portion of the Company's workforce is required to work from a customer's premises. The balance did not witness material fluctuation between 31 December 2015G and 2017G.

Prepaid government fees include payment of employees' Iqama, recruitment, and visa processing fees. The balance did not witness material fluctuation between 31 December 2015G and 2017G.

Other receivables refer to the prepaid bank facility fee, Chamber of Commerce membership fee, and postal service fees. Other receivables increased by 127.3% on 31 December 2016G, from SAR 0.6 million on 31 December 2015G to SAR 1.3 million on 31 December 2016G. This primarily resulted from the additional management fee relating to financing from a key supplier, as well as financing from a local commercial bank. Other receivables increased by 28.9% on 31 December 2017G, from SAR 1.3 million on 31 December 2016G to SAR 1.6 million on 31 December 2017G. This primarily resulted from the increase in prepaid bank facility fee, Chamber of Commerce fee, and postal service fee.

Investment held for trading

The Company held a portfolio of investments for overseas trading. Due to a change in investment strategy, these investments were reclassified as available-for-sale investments from 2016G onwards.

6.5.2.2 Non-current assets

The following table presents the Company's non-current assets as of 31 December 2015G, 2016G, and 2017G.

Table (6.23): Non-current assets

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Non-current assets						
Available for sale investments	-	44	1	N/A	(97.3%)	N/A
Property and equipment	1,058	891	9,101	(15.8%)	921.8%	193.2%
Investments in associates	3,338	2,585	2,061	(22.5%)	(20.3%)	(21.4%)
Intangible Assets	882	765	1,035	(13.3%)	35.3%	8.3%
Total	**5,278**	**4,285**	**12,199**	**(18.8%)**	**184.7%**	**52.0%**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

Available-for-sale investments

These represent a portfolio of investments held for overseas trading, which are carried at fair value and held up to maturity date. Due to change in investment strategy, these investments were reclassified as available for sale investments from 2016G onwards, as these had previously been classified as investments held for trading.

The decline in these investments on 31 December 2017G was due to disposal of investments held under a private equity syndicate amounting to SAR 42.7 million in 2017G. Investments held on 31 December 2017G were valued at fair market value.

Property and equipment

The following table presents the net book value of the Company's property and equipment as of 31 December 2015G, 2016G, and 2017G.

Table (6.24): Property and equipment

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Land	-	-	8,123	-	N/A	N/A
Equipment	704	628	674	(10.7%)	7.2%	(2.2%)
Motor vehicles	0	0	94	-	940,230.0%	9,597.1%
Furniture and fixtures	355	262	211	(26.0%)	(19.7%)	(22.9%)
Total net book value	**1,058**	**891**	**9,101**	**(15.8%)**	**921.8%**	**193.2%**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

During 2017G, the Company purchased 1,843 square meters of land at a cost of SAR 8.0 million to establish its headquarters. The Company capitalized the cost of purchase and related commission charges amounting to SAR 0.1 million in addition to the purchase price.

Equipment mainly included computer hardware, servers, and other ancillary devices. As of 31 December 2017G, the Company's equipment was 93.5% depreciated. The net book value did not witness material fluctuation between 31 December 2015G and 2017G.

Motor vehicles comprised of a fleet of 10 vehicles, which were mainly used for the transportation of hardware. The Company purchased a new van during 2017G for transportation purposes and replaced the previous vehicle in use.

The net book value of furniture and fixtures declined at a CAGR of 22.9% between 31 December 2015G and 2017G. This primarily resulted from the depreciation charge.

Investments in associates

The Company had investments in the below associates:

Name of associate	Principal activity	Place of incorporation and business	Voting rights
Edarat Group SAL	Technology based solutions	Lebanon	50.0%
Edarat Co. for Communication & Information Technology (Edarat CIT)	Development, installation and maintenance of computer hardware and software	KSA	50.0%
Phoenicia Tech Worldwide Inc.	Technology based solutions	British Virgin Islands	50.0%

All of the above investments are accounted for using the equity method in the financial statements. None of the associates are considered material to the Company.

Investment in associates decreased by 22.5% from SAR 3.3 million as of 31 December 2015G to SAR 2.5 million as of 31 December 2016G. It further declined by 20.3% to SAR 2.0 million by 31 December 2017G. This primarily resulted from the share of losses recorded from Edarat SAL and Phoenicia in 2016G and share of losses recorded from Edarat CIT and Phoenicia in 2017G, respectively.

Intangible Assets

The following table presents the Company's intangible assets as of 31 December 2015G, 2016G, and 2017G.

Table (6.25): Intangible Assets

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Other software	882	765	1,035	(13.3%)	35.3%	8.3%
Total net book value	**882**	**765**	**1,035**	**(13.3%)**	**35.3%**	**8.3%**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

Other software includes Sales Force Cloud and HR MenaMe. Additions made in other software between 31 December 2015G and 31 December 2017G period predominantly relate to renewal of licenses of existing software.

In addition to the above, intangibles also included fully amortized Microsoft Dynamics ERP Software, and application development project on 31 December 2017G.

The Company plans to migrate from Microsoft Dynamics ERP to the Oracle platform. The migration process is currently under the testing phase and the ERP software is planned to go live during the last quarter of 2018G.

Application development projects refer to the internally developed Geographic Information System (GIS) portal for use in a project during 2009G. Considering the future use of this portal, the Company decided to capitalize the related development cost.

6.5.2.3 Liabilities

The following table presents the Company's liabilities as of 31 December 2015G, 2016G, and 2017G.

Table (6.26): Liabilities

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Short-term loans	215,242	162,183	179,104	(24.7%)	10.4%	(8.8%)
Accrued expenses and other liabilities	58,618	98,728	136,668	68.4%	38.4%	52.7%
Accounts payable	85,607	92,224	142,220	7.7%	54.2%	28.9%
Dividends payable	-	-	33,000	-	N/A	N/A
Zakat payable	7,044	7,035	6,473	(0.1%)	(8.0%)	(4.1%)
Employees' terminal benefits	10,912	11,908	12,899	9.1%	8.3%	8.7%
Total	**377,423**	**372,078**	**510,364**	**(1.4%)**	**37.2%**	**16.3%**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

Short-term loans

The following table presents the Company's short-term loans as of 31 December 2015G, 2016G, and 2017G.

Table (6.27): Short-term loans

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G	2016G	2017G	December 2016G	December 2017G	2015G-2017G
Short-term financing facilities	199,975	160,217	173,344	(19.9%)	8.2%	(6.9%)
Facilities for LC	15,266	1,966	5,760	(87.1%)	193.0%	(38.6%)
Total	**215,242**	**162,183**	**179,104**	**(24.7%)**	**10.4%**	**(8.8%)**

Source: Management information

The following table presents the Company's short-term loans as of 31 December 2015G, 2016G, and 2017G.

Table (6.28): Short-term loans

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G	2016G	2017G	December 2016G	December 2017G	2015G-2017G
Short-term financing facilities						
Alawwal Bank	51,859	50,830	32,243	(2.0%)	(36.6%)	(21.1%)
Banque Saudi Fransi	41,675	51,877	43,636	24.5%	(15.9%)	2.3%
Saudi Investment Bank	44,777	15,013	12,555	(66.5%)	(16.4%)	(47.0%)
Samba Financial Group	-	-	4,748	-	N/A	N/A
Riyad Bank	8,566	3,229	14,969	(62.3%)	363.6%	32.2%
National Bank of Kuwait	28,895	8,126	33,466	(71.9%)	311.8%	7.6%
SABB	24,204	12,217	16,866	(49.5%)	38.0%	(16.5%)
Gulf International Bank	-	-	2,977	-	N/A	N/A
Oracle Finance Department (Vendor Financing)	-	18,925	11,884	N/A	(37.2%)	N/A
Total short-term financing facility	199,975	160,217	173,344	(19.9%)	8.2%	(6.9%)
Letter of credit facilities						
Alawwal Bank	13,691	1,966	-	(85.6%)	(100.0%)	(100.0%)
Gulf International Bank	-	-	5,760	-	N/A	N/A
National Bank of Kuwait	1,576	-	-	(100.0%)	-	(100.0%)

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G	2016G	2017G	December 2016G	December 2017G	2015G-2017G
Total letter of credit facility	**15,266**	**1,966**	**5,760**	**(87.1%)**	**193.0%**	**(38.6%)**
Total	**215,242**	**162,183**	**179,104**	**(24.7%)**	**10.4%**	**(8.8%)**

Source: Management information

Short-term loans outstanding at the end of each balance sheet date were mainly drawn to finance projects with customers. Short-term loans decreased by SAR 53.0 million at 31 December 2016G, from SAR 215.2 million on 31 December 2015G to SAR 162.2 million on 31 December 2016G. This primarily resulted from the delayed payments from customers, leading to the utilization of additional financing during 2015G. Short-term loans increased by 10.4% on 31 December 2017G, from SAR 162.2 million on 31 December 2016G to SAR 179.1 million on 31 December 2017G. This was primarily on account of obtaining additional financing as a result of late recovery of payment from a customer amounting to SAR 17.0 million, driven by a delay in the bank clearing process.

Facilities for LC are utilized by the Company for foreign and local suppliers against purchase of hardware and software. LC facilities increased by 87.1% on 31 December 2016G, from SAR 15.3 million on 31 December 2015G to SAR 2.0 million on 31 December 2016G. This primarily resulted from maturity of certain facilities at the end of 2016G. The balance increased by 193.0% as of 31 December 2017G, from SAR 2.0 million on 31 December 2016G to SAR 5.8 million on 31 December 2017G. This was primarily due to obtaining new facility from a bank to issue LCs for various vendors for a government sector customer.

Short-term loans are secured by personal guarantees of the shareholders, promissory notes, and assignment of certain contract proceeds as a security for financing facilities. As of 31 December 2017G, the value of the promissory notes and shareholders' guarantees provided as a security amounted to SAR 690.7 million and SAR 740.7 million, respectively. Additionally, projects with a contract value of SAR 1.8 billion were assigned to the banks as security on 31 December 2017G.

In 2017G, the Company received a sanction of SAR 17.0 million financing facilities from Banque Saudi Fransi for the purchase of land and construction of the Company's headquarters.

Accrued expenses and other liabilities

The following table presents the Company's accrued expenses and other liabilities as of 31 December 2015G, 2016G, and 2017G.

Table (6.29): Accrued expenses and other liabilities

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Unbilled project costs	38,211	74,425	109,042	94.8%	46.5%	68.9%
Withholding tax payables	16,243	18,944	17,198	16.6%	(9.2%)	2.9%
Accrued employee costs	2,935	4,974	6,138	69.5%	23.4%	44.6%
Others	1,230	385	4,290	(68.7%)	1,013.3%	86.8%
Total	**58,618**	**98,728**	**136,668**	**68.4%**	**38.4%**	**52.7%**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

Unbilled project costs mainly represent the costs booked by the Company against recorded sales, but not invoiced by the suppliers. The increase in unbilled project costs on 31 December 2016G and 31 December 2017G were under the normal course of business and were driven by business activity. Unbilled project costs are presented net of any work in process, which has not been delivered to the customer. Unbilled project costs decreased by 94.8% on 31 December 2016G, from SAR 38.2 million on 31 December 2015G to SAR 74.4 million on 31 December 2016G. The increase was mainly due to undertaking 7 new projects during 2016G, resulting in additional unbilled project costs amounting to SAR 33.2 million as of 31 December 2016G. As of 31 December 2017G, the balance of unbilled project costs increased by 46.5% to SAR 109.0 million. This increase was mainly due to undertaking 4 projects during 2017G, resulting in an increase in the balance of unbilled project costs by SAR 24.8 million as of 31 December 2017G. This is in addition to the progress made in a number of projects which started in previous years, resulting in an increase in balance by SAR 8.2 million as of 31 December 2017G.

Withholding tax represents tax incurred on payments made by the Company to foreign vendors in respect of purchases for the projects. These withholding taxes are borne by the customers. The balance did not witness material fluctuation between 31 December 2015G and 2017G.

Accrued employee costs include accruals made for employee vacations, air tickets, wages, and GOSI charges. Accrued employee costs grew at a CAGR of 44.6% between 31 December 2015G and 31 December 2017G. This primarily resulted from the increase in the total headcount of the Company from 671 employees on 31 December 2015G to 769 employees on 31 December 2017G.

Other liabilities include provision for audit fees, accrued utility expenses, dues to employees, and advances from customers. Other liabilities declined by 68.7% on 31 December 2016G, from SAR 1.2 million on 31 December 2015G to SAR 0.4 million on 31 December 2016G. This primarily resulted from settlement of advances from customers. Others increased by SAR 3.9 million on 31 December 2017G, from SAR 0.4 million on 31 December 2016G to SAR 4.3 million on 31 December 2017G. This primarily resulted from the receipt of an advance from a key customer in connection with BMC support services.

Accounts Payable

Accounts payable mainly comprise of the technology vendors who provide implementation and other support services. Accounts payable increased by 7.7% from SAR 85.6 million as of 31 December 2015G to SAR 92.2 million as of 31 December 2016G and increased by 54.2% to SAR 142.2 million as of 31 December 2017G. This primarily resulted from delayed payments to the suppliers as a result of cash short falls driven by delay in collection from government customers, in addition to the increase in number of projects. This led to an increase in average days payable from 68 days as of 31 December 2015G to 79 days and 93 days as of 31 December 2016G and 2017G, respectively.

Dividends Payable

The Board of Directors has declared dividends of SAR 51.1 million for the year ended 31 December 2017G. Out of the declared dividends, SAR 33.0 million remain outstanding for the same period.

Zakat Payable

The Company has finalized its Zakat assessment with the GAZT up to 2007G and obtained the final Zakat certificates. The Company filed Zakat returns for the years 2008G up to 2017G, which are still under review by the GAZT, and the result cannot be determined accurately.

Zakat payable did not witness material fluctuations between 31 December 2015G and 31 December 2016G. Zakat payable declined from SAR 7.0 million on 31 December 2016G to SAR 6.4 million on 31 December 2017G. This primarily resulted due to the reclassification of net provision amounting to SAR 1.7 million to WHT payable under accrued expenses & other liabilities.

Employees' terminal benefits

The following table presents the Company's end-of-service benefits as of 31 December 2015G, 2016G, and 2017G.

Table (6.30): End-of-service benefits

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
At beginning of the year	8,928	10,912	11,908	22.2%	9.1%	15.5%
Charge for the year	3,266	3,831	3,080	17.3%	(19.6%)	(2.9%)
Payment during the year	(1,282)	(2,835)	(2,090)	121.1%	(26.3%)	27.7%
At the end of the year	**10,912**	**11,908**	**12,899**	**9.1%**	**8.3%**	**8.7%**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

End of Service Benefits (EOSB) is a statutory requirement for all Saudi companies and is payable to employees on resignation or termination of employment from an entity. EOSB increased at a CAGR of 8.7% between 31 December 2015G and 2017G. This primarily resulted from the increase in the total headcount of the Company from 671 employees on 31 December 2015G to 769 employees on 31 December 2017G.

6.5.2.4 Shareholders' Equity

The following table presents the Company's shareholders' equity as of 31 December 2015G, 2016G, and 2017G.

Table (6.31): Shareholders' equity

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Shareholders' equity						
Share capital	50,000	50,000	50,000	-	-	-
Statutory reserve	25,000	25,000	25,000	-	-	-
Retained earnings	85,328	95,791	121,458	12.3%	26.8%	19.3%
Fair value reserve	-	0	-	N/A	(100.0%)	N/A
Total	**160,328**	**170,791**	**196,458**	**6.5%**	**15.0%**	**10.7%**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

The Company had a share capital of SAR 50.0 million in the form of 5.0 million fully subscribed shares at a par value of SAR 10.0.

The statutory reserve is a regulatory requirement for companies in Saudi Arabia. As per the latest regulations, the Company is required to set aside a statutory reserve after absorption of accumulated losses, if any, by the appropriation of 10% of net income until the reserves equal 30% of the share capital. The reserves amounted to 50% of the share capital as a result of transfers from the previous year. This reserve is not available for dividends distribution.

However, under the Company's Articles of Association as of 31 December 2017G, the Company shall allocate 10% of the net income until the reserve equals 50% of the share capital. The Company will cease to make such transfers after the reserve reaches 50% of the share capital.

Increase in retained earnings between 31 December 2015G and 31 December 2017G was attributable to the net income generated during each year, net of any dividends declared.

Fair value reserve represents the unrealized gain or loss on available-for-sale investments and were routed through equity as required by SOCPA.

6.5.3 Cash Flow Statement

The following table presents the Company's cash flow statement for the financial years ended 31 December 2015G, 2016G, and 2017G.

Table (6.32): Cash flow statement

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Net cash (used in)/ from operating activities	(73,092)	85,217	15,413	(216.6%)	(81.9%)	N/A
Net cash used in investing activities	(850)	(412)	(9,064)	(51.5%)	2,100.4%	226.5%
Net cash from / (used in) financing activities	40,355	(78,680)	(1,221)	(295.0%)	(98.4%)	N/A
Net cash flow for the period	**(33,587)**	**6,125**	**5,128**	**(118.2%)**	**(16.3%)**	**N/A**
Cash and its equivalents at the beginning of the year	78,149	44,561	50,687	(43.0%)	13.7%	(19.5%)
Cash and cash equivalents at the end of the year	**44,561**	**50,687**	**55,814**	**13.7%**	**10.1%**	**11.9%**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

The increase in cash and cash equivalents between 31 December 2015G and 2017G was attributable to net cash generated from operating activities during the respective periods driven by net income generated by the Company.

6.5.3.1 Cash Flows from Operating Activities

The following table presents the Company's cash flow from operating activities for the financial years ended 31 December 2015G, 2016G, and 2017G.

Table (6.33): Cash flows from operating activities

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Income before Zakat	45,789	41,405	83,281	(9.6%)	101.1%	34.9%
Adjustments for non-cash items	4,172	5,801	4,828	39.0%	(16.8%)	7.6%
Accounts receivable	(160,142)	(669)	(44,920)	(99.6%)	6,619.0%	(47.0%)
Unbilled receivables	-	5,565	(108,204)	N/A	(2,044.2%)	N/A
Prepayment and other receivables	(1,134)	(5,888)	1,615	419.3%	(127.4%)	N/A
Amounts due from an associate	(39)	(7)	-	(82.7%)	(100.0%)	(100.0%)
Accounts payable	41,209	6,617	49,997	(83.9%)	655.5%	10.1%
Accrued expenses and other liabilities	2,259	40,110	36,226	1,675.2%	(9.7%)	300.4%
Employees' end-of-service indemnities paid	(1,282)	(2,835)	(2,090)	121.1%	(26.3%)	27,7%
Zakat paid	(3,924)	(4,883)	(5,321)	24.4%	9.0%	16,4%
Cash flows (used in) / from operating activities	**(73,092)**	**85,217**	**15,413**	**(216.6%)**	**(81.9%)**	**N/A**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

Net cash outflow used in operating activities amounting to SAR 73.1 million in 2015G, was mainly driven by delayed payments from customers due to their cash flow constraints. Net cash inflow from operating activities amounting to SAR 85.2 million in 2016G was mainly due to better management of the receivables and collection of a majority of outstanding government receivables in the last quarter of 2016G.

During 2017G, cash flow from operating activities decreased by SAR 69.8 million despite an increase in net profit for the year by SAR 40.7 million. This primarily resulted from the accumulation of unbilled receivables on 31 December 2017G as a result of increase in overall sales by 28.9% during 2017G.

6.5.3.2 Cash Flow from Investing Activities

The following table presents the Company's cash flow from investing activities for the financial years ended 31 December 2015G, 2016G, and 2017G.

Table (6.34): Cash flow from investing activities

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Purchase of property and equipment	(616)	(190)	(8,551)	(69.2%)	4,404.0%	272.4%
Purchase of intangible assets	(802)	(229)	(577)	(71.4%)	152.0%	(15.1%)
Proceeds from disposal of PPE	5	7	21	33.9%	200.0%	100.4%
Proceeds from sale of available-for-sale investments	-	-	42	-	N/A	N/A
Dividend received in associate	563	-	-	(100.0%)	-	(100.0%)
Cash flows used in investing activities	**(850)**	**(412)**	**(9,064)**	**(51.5%)**	**2,100.4%**	**226.5%**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

Net cash used in investing activities in 2015G was associated with a cost incurred on renewal of licenses and architectural and civil works at the Jeddah office. The Company also received a dividend payment from Edarat CIT amounting to SAR 0.6 million during 2015G.

Net cash outflow in 2016G was mainly related to the cost incurred on renewal of licenses for the Company's existing software (Sales Force Cloud, HR MenaMe etc.) for in-house use.

Net cash outflow of SAR 9.1 million in 2017G was mainly associated with the purchase of 1,843 square meters of land at a cost of SAR 8.1 million inclusive of all commissions and other miscellaneous charges for the purpose of constructing the Company's headquarters.

6.5.3.3 Cash Flow from Financing Activities

The following table presents the Company's cash flow from financing activities for the financial years ended 31 December 2015G, 2016G, and 2017G.

Table (6.35): Cash flow from financing activities

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Net (repayment) proceeds from short-term loans	65,673	(53,059)	16,921	(180.8%)	(131.9%)	(49.2%)
Dividend paid	(25,318)	(25,621)	(18,141)	1.2%	(29.2%)	(15.4%)
Cash flows from / (used in) financing activities	**40,355**	**(78,680)**	**(1,221)**	**(295.0%)**	**(98.4%)**	**N/A**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

Financing activities include net proceeds from short-term loans and dividends paid to the shareholders of the Company. Net inflow from short-term loans amounting to SAR 65.7 million in 2015G primarily resulted from additional financing raised by the Company to fund its working capital requirements driven by delayed payments from customers. Net outflow in short-term loans during 2016G was on account of repayments of the financing raised during 2016G as well as the additional financing raised during 2015G. Net inflow from short-term loans mounting to SAR 16.9 million during 2017G related to the financing facilities utilized by the Company to purchase a plot of land and build the Company's new headquarters. The dividends paid amounted to SAR 25.3 million, SAR 25.6 million, and SAR 18.1 million for 2015G, 2016G, and 2017G, respectively.

6.5.4 Contingent Liabilities

The following table presents the Company's contingent liabilities as of 31 December 2015G, 2016G, and 2017G.

Table (6.36): Contingent liabilities

SAR thousand	Financial year ended 31 December		
	2015G Audited	2016G Audited	2017G Audited
Letter of credit	11,742	26,036	15,967
Letter of guarantees	91,289	115,901	113,178
Total	**103,031**	**141,938**	**129,146**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

The Company has issued LCs for foreign and local suppliers against purchase of hardware and software in the form of traditional LC or SBLC.

The Company had multiple LG agreements with different banks in the name of governmental customers relating to bid bonds and performance bonds.

In addition to the above, the Company had future operating lease commitments amounting to SAR 4.0 million on 31 December 2017G.

6.5.5 Related Party Transactions and Balances

The following table presents the Company's related party transactions for the financial years ended 31 December 2015G, 2016G, and 2017G.

Table (6.37): Related party transactions

SAR thousand	Nature of transaction	Financial year ended 31 December		
Name of related party		2015G Audited	2016G Audited	2017G Audited
Edarat Group SAL				
	Purchase	8,689	4,761	4,603
	Sales	-	-	756
	Rental income	332	332	317
Shareholders		-	-	-
	Salaries and benefits*	728	411	496
Total		**9,748**	**5,504**	**6,172**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

**These transactions refer to salaries and remunerations of some of the shareholders for taking part in some of the Company's operations until 31 December 2017G, as these shareholders are Non-Executive employees of the Company. However, these transactions ceased during the first half of 2018G.*

Edarat Group SAL

Purchase

Purchase transactions mainly refer to outsourcing of certain post-sales implementation services to Edarat Group SAL.

Sales

Sales transactions mainly refer to purchase orders issued to Edarat SAL against supplier training courses for their employees and purchase of certain hardware from the Company.

Rental income

Rental income refers to the arrangement between the Company and Edarat CIT to share office space. Edarat CIT pays the Company an annual amount of SAR 0.3 million.

Shareholders

Salaries and benefits

Salaries and benefits represent the payments made to the executive shareholders involved in the routine operations of the Company.

The following table presents the Company's related party balances for the financial years ended 31 December 2015G, 2016G, and 2017G.

Table (6.38): Related Party Balances

SAR thousand	Financial year ended 31 December			Increase/(Decrease)		Compounded annual growth rate (CAGR)
	2015G Audited	2016G Audited	2017G Audited	December 2016G	December 2017G	2015G-2017G
Edarat Group SAL	780	787	787	0.9%	-	0.4%
Total	**780**	**787**	**787**	**0.9%**	**-**	**0.4%**

Source: the Company's audited financial statements for the financial years ended 31 December 2015G, 2016G, and 2017G

The amount due from Edarat Group SAL as of 31 December 2017G was mainly related to the amounts due to the Company for purchases by Edarat. This amount was outstanding for more than 360 days on 31 December 2017G due to the liquidity constraints of the related party. This amount was paid during the first six months of 2018G.

6.6 Management's Discussion and Analysis of Financial Condition and Results of Operations for the First Half of 2018G

The following section on the Management's discussion and analysis reviews the Company's financial condition and operational performance. This section is based upon the Company's audited financial statements for the six-month period ended 30 June 2018G, prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by SOCPA. The Company's financial statements for the six-month period ended 30 June 2018G were reviewed by Ernst & Young (EY). These aforementioned financial statements are a part of this Prospectus.

6.6.1 Basis of Preparation

Statement of Compliance

The Company's first interim financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in KSA and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRSs as endorsed in KSA") for the part of the period (i.e. as at and for the six-month period ended 30 June 2018G) covered by the first annual financial statements in accordance with IFRSs as endorsed in KSA as at and for the year ending 31 December 2018G. Accordingly, IFRS 1 "First time adoption of International Financial Reporting Standards" endorsed in KSA has been applied.

When the Company prepares its first complete set of financial statements in accordance with IFRSs as endorsed in KSA as at and for the year ending 31 December 2018G, they will be prepared in accordance with the Standards and Interpretations in effect as at that date and as endorsed in KSA.

Preparation of Interim Financial Statements

(A) Accounting conventions

The interim financial statements have been prepared on a historical cost basis except for the employee defined benefit liability. These have been actuarially valued. The financial statements are presented in Saudi Arabian Riyals (SAR).

(B) Currency in use

The interim financial statements are presented in Saudi Arabian Riyals (SAR) which is also the Company's functional currency.

6.6.2 Significant accounting estimates, assumptions, and judgments

The preparation of the Company's interim financial statements requires the Management to make estimates, assumptions, and judgments that may affect the reported amounts of income, expenses, assets, and liabilities at the reporting date. However, the uncertainty of these assumptions and estimates may result in a material change to the carrying amount of the assets or liabilities that will be affected in the future. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and further periods, if the review affects both current and future periods.

Estimates and assumptions

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

Long-term assumptions of employee benefits

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

Provisions

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

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or Cash Generating Unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing off the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next four to six years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

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

(A)Provision for doubtful debts

The Company reviews its accounts receivable at each reporting date to determine whether a provision for doubtful debts shall be recognized in the interim statement of income. In particular, judgment is required by the Management to estimate the amount and timing of future cash flows in determining the level of provision required. These estimates are based on assumptions about the number of factors, and actual results may differ, resulting in future changes in the provision.

(B) Economic useful lives of property and equipment

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The Company periodically reviews estimated useful lives and the depreciation method to ensure that the method and year of depreciation are consistent with the expected pattern of economic benefits derived from these assets.

6.6.3 Significant accounting policies

Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset is classified as current when it is;

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

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

A liability is current when it is:

- Expected to be settled in normal operating cycle.
- Held primarily for the purpose of trading.
- Due to be settled within twelve months after the reporting period.
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

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

Revenue recognition

IFRS 15 is effective for annual periods beginning on or after 1 January 2018G. The new revenue standard introduces a single principle-based five-step model for the recognition of revenue when control of a good is transferred to or a service performed for the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price, and recognize revenue when the performance obligation is satisfied.

IFRS 15 also requires enhanced disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers, and improves the comparability of revenue from contracts with customers. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

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

The company has applied following practical expedients:

- The Company does not adjust the promised amount of consideration for the effects of significant financing component where period between delivery of promised services and payment from customer is one year or less.
- For periods before the date of initial application, the Company does not provide disclosures for remaining performance obligations.
- The Company does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognize that amount as revenue for periods prior to the date of transition to IFRSs as endorsed in KSA.

The Company recognizes revenue as and when customer receives and consumes the services provided by the Company over a period of time i.e. number of days services are provided, which is in line with the requirements of IFRS 15. Accordingly, there is no material effect of adopting IFRS 15 on the recognition of revenue of the Company.

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when the services are rendered to customers. Contract revenues are recognized based on manpower services provided to the customers (the services represent the performance obligation of the contract) over the terms of these agreements.

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 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) is satisfied either point in time or over time. There was no restatement due to this change as the Company's policy is already in line with the requirements of IFRS 15.

Contract costs

Contract costs are recognized as an expense unless the Company has a reasonable expectation to recover these costs from its customers and in cases where these costs are recoverable from the customers. The Company amortize these costs either point in time or on a systematic basis, consistent with the transfer to the customer of the services.

The Company recognizes contract costs if:

- The costs relate directly attributed to the contract or to a specific anticipated contract that the Company could specifically identify.
- The costs generate or enhance resources for the Company and will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- It is expected to recover additional costs to be awarded the contract with the customer.

- It is expected that these costs would not be incurred in the event that the contract is not awarded or if the Company has not identified the specific anticipated contract.
- Costs directly related to the contract (or a specific anticipated contract) include:

  A- Direct labor

  B- Direct materials

  C- Allocation costs directly related to the contract or contract activities.

  D- Costs that are explicitly chargeable to the customer under the contract; and

  E- Other costs that are incurred only because the entity entered into the contract.

Contract assets and liabilities

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

Principal versus agent considerations

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 services before they are transferred to the customer, as well as other indicators such as the party primarily responsible for fulfilment, inventory risk and discretion in establishing price. The Company has concluded that they are principal in all revenue arrangements. There was no restatement due to this change as the Company's policy is already in line with the requirements of IFRS 15.

Presentation and disclosure Requirements

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.

The Company recognizes revenue from the following major sources:

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

(i) Sale of computer equipment and hardware

The Company supplies computer equipment and hardware to Government and Private sector customers in the Kingdom of Saudi Arabia. Warranties associated with the sale of computer equipment and hardware are provided by principal vendors.

Revenue is recognized when control of the equipment has transferred, generally on delivery of the equipment.

(ii) Sale of software license

Revenue from software license sales is recognized when the Company transfers the control of services to a customer. Accordingly, the revenue from license sale is recognized at a point in time.

(iii) Hardware maintenance services

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

(iv) Software license support

The Company provides various software installation and other support services for specialized business operations. Such services are recognized as a performance obligation satisfied over time.

(v) Supply of manpower

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

Other income

Other income is recognized when earned.

Costs and expenses

Costs are directly related to goods or services are classified as direct cost. Expenses which are attributable to marketing, advertising, and promotional activities are classified as marketing expenses. All other indirect expenses are classified as general and administrative expenses.

Leases

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

Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Company does not have any finance leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Employee benefits

Employee defined benefit liabilities

The employee defined benefit liability is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Re-measurements, comprised of actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognized immediately in the statement of profit and loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Interest expense
- Re-measurement

The Company presents the first two components of defined benefit costs in profit or loss in relevant line items.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, air tickets, and sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Retirement benefits

Retirement benefits made to defined contribution plans are expensed when incurred.

Zakat

The Company is subject to Zakat in accordance with regulations of the General Authority of Zakat and Tax (GAZT). The provision is charged to the income statement. Zakat are provided on an accrual basis. The Zakat charge is calculated according to the Zakat base or adjusted net income. Any difference in the estimate is recorded when the final assessment is approved.

Property and equipment

Property and equipment, except land and capital work-in-progress, are stated at cost, minus accumulated depreciation and accumulated impairment losses, if any. Land and capital work-in-progress are stated at cost, minus impairment in value, if any.

Historical cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Depreciation is recognized so as to write off the cost of assets minus their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes accounted for on a prospective basis.

The Company applies the following annual rates of depreciation to its property and equipment:

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income when the asset is derecognized.

Work in progress

Contract work in progress consists of material, labor and attributable overheads.

Contract work in progress is recorded at cost

Intangible Assets

Intangible assets acquired separately are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost minus any accumulated amortization and accumulated impairment losses.

Intangible assets are amortized over their estimated useful lives and are also reviewed for impairment where there is evidence suggesting such impairment. Period and method of amortization of definite intangible assets are reviewed at least once at the end of each financial period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in other comprehensive income in the expense category consistent with the function of the intangible asset.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Profits or losses resulting from intangible asset de-recognition (calculated at the difference between net disposal proceeds and the asset's carrying amount) are recognized in the comprehensive income statement.

The Company applies an annual rate of amortization of 20% to its intangible assets.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial asset to determine whether there is any indication that those assets have suffered an impairment loss. Assets that have indefinite useful life, e.g., land, are tested annually for impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value minus cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in interim statement of comprehensive income.

Investments in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Company's investment in associates is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in Company's share of net assets of the associate since the acquisition date.

The financial statements of the associate are prepared for the same period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in associates. The Company makes sure at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the fair value of the associate and the carrying value and recognizes the loss in the "Share in an associate" portion of the interim statement of income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognized in interim statement of income.

Dividends

The Company recognizes a liability related to distribution of dividends, when the distribution is approved and is no longer subject to the Company's discretion. A corresponding amount is recognized directly in statement of changes in equity.

Cash and Cash Equivalents

For the purposes of preparing the statement of cash flows, cash and cash equivalents consist of cash in hand and deposits with banks, all of which are available for use by the Company unless otherwise stated and have maturities of three months, subject to insignificant risk of changes in values.

Foreign currencies transactions

Foreign currency transactions are translated into the functional currency using spot exchange rates at the date on which the transaction first met the criteria for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency exchange rates at the reporting date.

Differences arising from payment or transfer of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated at the rates prevailing at the date that the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., the translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Financial instruments

IFRS 9 requires the classification of financial assets into three classes of measurement at initial recognition: Financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, and financial assets measured at amortized cost. Investment in equity instruments shall be measured at fair value through profit or loss. However, there is an irrevocable option to present fair value changes in other comprehensive income. The measurement and classification of financial assets depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the IFRS 9 did not change most of the requirements in IAS 39. The main change is that where the fair value option is included in the financial liability, the portion of the change in the fair value of the entity's credit risk is recognized in other comprehensive income instead of the statement of income, unless this results in an accounting mismatch.

IFRS 9 introduces a new three-stage approach to expected credit losses to account for impairment of financial assets. IFRS 9 no longer require the occurrence of a resulting event before credit loss is recognized. The entity is required to recognize the expected credit loss at initial recognition of the financial instruments and update the expected amount of credit losses recognized at the reporting date to reflect changes in credit risk relating to financial instruments. In addition, IFRS 9 requires additional disclosure requirements for expected credit losses and credit risk.

This standard is mandatory for annual periods beginning on or after 1 January 2018G. Early adoption is permitted.

Changes in accounting policies arising from the application of IFRS 9 have been applied retroactively.

The impact of the IFRS 9 application is disclosed in Note 6 of the interim financial statements, which relates to new requirements for impairment, reclassification of original measurement classes in accordance with IAS 39, and new measurement categories in accordance with IFRS 9 for each category of the Company's financial instruments.

Recognition and Initial Measurement

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

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

The instrument is initially measured at fair value plus - in the case of items not included at fair value through profit or loss - transaction costs directly attributable to the acquisition or issue.

Financial Assets

1- Classification of financial assets

At initial recognition, financial assets are measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss.

Financial assets are measured at amortized cost if the following two conditions are met and if they are not recognized at fair value through profit or loss:

a- The financial asset is acquired within the business model with a view to acquiring financial assets to collect contractual cash flows.

b- The contractual terms of the financial asset result, on specific dates, cash flows that represent only payments of the principal amount and commission on the outstanding principal amount.

At initial recognition of equity investments that are not held for trading, the Group may elect irrevocably to present subsequent changes in fair value within other comprehensive income. This selection is made on an investment-by-investment basis.

All unquoted financial assets are measured at amortized cost or at fair value through other comprehensive income as described above and at fair value through profit or loss. At initial recognition, the Company can irrevocably allocate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income as measured at fair value through profit or loss in case this action eliminates or significantly reduces accounting mismatch, which may arise otherwise.

A financial asset (unless it represents a trade receivable that does not include a significant financing component originally measured at the transaction price) is measured at fair value plus -in the case of items not carried at fair value through profit or loss - transaction costs directly attributable to the acquisition.

2- Subsequent measurement

Financial assets carried at fair value through profit or loss are subsequently measured at fair value. Net profits and losses, including any commission and dividends, are recognized in the interim income statement.

Financial assets carried at amortized cost are subsequently measured at amortized cost using the effective commission rate method. Amortized cost is reduced by impairment losses. Commission income, foreign exchange gains and losses, and impairment losses are recognized in the comprehensive income statement. Any gain or loss arising from de-recognition is recognized in the interim statement of other comprehensive income.

Finance income is recognized by applying the effective commission rate.

Investments in debt instruments carried at fair value through other comprehensive income are subsequently measured at fair value. Commission income calculated in accordance with the effective commission rate method, foreign exchange gains, and losses and impairment losses are recognized in the comprehensive income statement. Other net gains and losses are recognized in the interim comprehensive income statement. Upon de-recognition, the cumulative gain or loss in other comprehensive income is reclassified to the interim comprehensive income statement. Equity investments carried at fair value through other comprehensive income are subsequently measured at fair value. Dividend income is recognized as income in the income statement, unless the dividend is clearly an amount recovered from the cost of the investment. Other net gains and losses are recognized in the interim comprehensive income statement and are never reclassified to profit or loss.

3- Reclassifications

Financial assets are not reclassified upon initial recognition, except for the period following the change of the Company's business model for managing financial assets.

4- De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (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 substantially transferred all the risks and rewards of the asset, or (b) the Company has neither substantially transferred nor retained 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 recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

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

The Company adopts the simplified approach in accordance with IFRS 9 to measure expected credit losses, which uses the provision for lifetime expected credit losses. This approach is used to evaluate the provision against:

- Financial assets measured at amortized cost.
- Contract assets.

The expected loss rates are determined on the basis of repayment data for accounts receivable over the 12-month period prior to each financial period and prior corresponding credit losses incurred during the period. Previous loss rates are adjusted to reflect current and future macroeconomic information that affects the ability of customers to settle receivables. The Company has chosen the gross domestic product (GDP) of the Kingdom of Saudi Arabia (the country where it operates and provides services) as the most appropriate factor and accordingly is adjusting the previous loss rates based on the expected changes in such factors. The estimated credit losses of these financial assets are estimated using a provision matrix

Macroeconomic weighted average scenarios

The company accounts for the macro-economic factor of GDP to develop scenarios with the weighted outcome achieved using best- and worst-case scenarios. Scenario-based analysis makes use of future information in estimating impairment with multiple future macroeconomic scenarios. The expected credit loss estimate reflects the weighted amount of the unbiased probability, which is determined by evaluating a number of possible outcomes.

Specific provision

The specific provision is recognized on a customer-by-customer basis at each reporting date. The Company recognizes a specific provision for receivables from certain customers. Provisions are reversed only when the amounts received are recovered from customers.

Write-off

The total carrying amount of a financial asset (whether in part or in whole) is written off to the extent that there is no reasonable expectation of recovery. This is generally the case when the company determines that the debtor has no assets or sources of income that could generate sufficient cash flows to settle the write-offs.

Financial liabilities

Initial recognition and measurement

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as financial liabilities measured at amortized cost or at fair value through profit or loss. Financial liabilities are recognized at fair value through profit or loss if they are classified as financial liabilities held for trading or as derivatives or if they are designated as such at initial recognition.

Subsequent measurement

Financial liabilities carried at fair value through profit or loss are measured at fair value and net profit and loss, including commission expense, are recognized in the interim comprehensive income statement. Other financial liabilities are subsequently measured at amortized cost using the effective commission rate. Commission expense and foreign exchange gains and losses are recognized in the interim comprehensive income statement. Any gain or loss arising from de-recognition is recognized in the comprehensive income statement.

De-recognition

Financial liabilities are derecognized when the obligation specified in the contract is discharged or cancelled or expires. In the event that the existing financial liabilities are exchanged for others with the same lender on completely different terms or by modification of the current liability terms, such exchange or modification shall be accounted for and the existing liability is derecognized and the new liabilities are recognized. The difference between the respective carrying amounts is recognized in the comprehensive income statement.

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 recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Fair value measurement

The Company at each reporting date measures financial instruments such as equity instruments designated FVOCI at fair value.

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

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured with the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

The Company determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

External valuers assess important assets such as real estate, financial assets available-for-sale, and significant liabilities such as contingent consideration. The work of external valuers is decided annually by the Valuation Committee after the Company's Audit Committee discusses and approves it. Selection criteria include market knowledge, reputation, independence, and whether professional standards are observed. Upon discussion with the Company's external valuers, the Valuation Committee decides on valuation methods adopted in each case.

At each reporting date, the Valuation Committee analyzes the changes in the value of assets and liabilities to be re-measured or revalued in accordance with the Company's accounting policies. For the purposes of this analysis, the Valuation Committee verifies the key inputs adopted in the last valuation by matching the information used for valuation with contracts and other related 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.

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

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognized as financial charges

Segment reporting

An operating sector is a component of the Company:

- That engaged in business activities from which it may earn revenues and incur expenses
- Results of its operations are continuously analyzed by management in order to make decision regarding resource allocation and performance assessment.
- For which discrete financial information is available.

The Company's operational business is organized and managed independently according to the nature of the services provided. Each sector is a strategic unit offering different products to its respective market.

For management purpose, the Company is organized into six segments, as described below:

E-Services Unit, Solutions Unit, Systems Unit, Information Security System Unit (ISSU), Networking Unit and Operation and Maintenance Unit.

A geographical segment is a Company 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.

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

6.7 IFRS Reconciliation

6.7.1 Income Statement

Impact of IFRS Reconciliation to the financial statements ended 31 December 2017G.

SAR thousand	Financial year ended 31 December 2017G			Comments
	SOCPA	IFRS	Difference	
Revenue	842,800	750,976	(91,824)	This primarily reflects correction of errors relating to revenue recognition and direct costs. The Company corrected these errors and restated previous years' amounts.
Cost of sales	(704,470)	(631,708)	72,762	• This primarily reflects correction of errors relating to revenue recognition and direct costs. The Company corrected these errors and restated previous years' amounts. • Increase in provision for EOSB resulting from actuarial valuation required under IAS 19 Employee Benefits.
Gross profit	138,330	119,268	(19,062)	
Selling and marketing expenses	(11,800)	(11,800)	-	
General & administrative expenses	(32,047)	(36,520)	(4,473)	• Represents additional provision of expected credit losses recognized according to IFRS 9. • Increase in provision for EOSB resulting from actuarial valuation required under IAS 19 Employee Benefits.
Other income	1,585	1,585	-	
Operating profit	**96,068**	**72,533**	**(23,535)**	
Share in associate losses	(525)	(525)	-	
Finance cost	(12,262)	(16,315)	(4,053)	Discount of receivables with cash flows exceeding one year in accordance with the requirements of IFRS 9.
Finance income	-	1,743	1,743	This represents the unwinded interest discounted receivables with cash flows exceed one year in accordance with IFRS 9.
Profit before Zakat	83,281	57,437	(25,845)	
Zakat	(6,473)	(6,473)	-	

SAR thousand	Financial year ended 31 December 2017G			Comments
	SOCPA	IFRS	Difference	
Net income for the year	**76,808**	**50,964**	**(25,845)**	
Other comprehensive income Items that will not be reclassified subsequently in profit or loss:				
Gain on re-measurement of employee defined benefit liabilities	-	4,380	4,380	• Increase in provision for EOSB resulting from actuarial valuation required under IAS 19 Employee Benefits.
Total comprehensive income for the year	**76,808**	**55,344**	**21,465**	

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

6.7.2 Balance Sheet

Impact of IFRS reconciliation to the financial of financial position for the period ended 31 December 2017G.

SAR thousand	Financial year ended 31 December 2017G			Comments
	SOCPA Standards	IFRS	Difference	
Non-current assets				
Trade receivables (non-current portion)	38,833	38,449	(384)	
Property, machinery, and equipment	9,101	9,101	-	
Intangible Assets	1,035	1,035	-	
Financial assets	1	1	-	
Investments in associates	2,061	2,061	-	
Total non-current assets	**51,031**	**50,647**	**(384)**	
Current Assets				
Trade and other receivables	331,096	342,870	11,774	• Reclassification of prepayments and other receivables to trade and other receivables to align with the presentation requirements of IAS 1 Presentation of Financial Statements. • Discounting of receivables with cash flows exceeding one year in accordance with the requirements of IFRS 9. • Correction of errors relating to revenue recognition and related direct costs. The Company corrected these errors and restated previous years' amounts.
Prepayments and other receivables	15,045	-	(15,045)	• Reclassification of prepayments and other receivables to trade and other receivables to align with the presentation requirements of IAS 1 Presentation of Financial Statements.
Contract assets	253,048	247,216	(5,832)	• Discounting of receivables with cash flows exceeding one year in accordance with the requirements of IFRS 9. • Correction of errors relating to revenue recognition and related direct costs. The Company corrected these errors and restated previous years' amounts.
Work in progress	-	86,276	86,276	Correction of errors relating to revenue recognition and related direct costs. The Company corrected these errors and restated previous years' amounts.

SAR thousand	Financial year ended 31 December 2017G			Comments
	SOCPA Standards	IFRS	Difference	
Amounts due from an associate	787	-	(787)	Reclassification of trade payables to amounts due from / to related party to align with the presentation requirements of IAS 1 Presentation of Financial Statements.
Cash & bank balances	55,814	55,814	-	
Total current assets	**655,790**	**732,176**	**76,386**	
Total assets	**706,821**	**782,823**	**76,002**	
Shareholders' equity				
Share capital	50,000	50,000	-	
Statutory Reserve	25,000	25,000	-	
Retained Earnings	121,458	83,420	(38,038)	• Discounting of receivables with cash flows exceeding one year in accordance with the requirements of IFRS 9. • IAS 19 Employee Benefits requires that EOSB be actuarially valued. The effect of this change is a decrease in equity and a decrease in the net profit. The actuarial gain resulting from the re-measurement of the employee defined benefit liabilities has been recorded in other comprehensive income. • Represents additional provision of expected credit losses recognized according to IFRS 9. • Correction of errors relating to revenue recognition and related direct costs. The Company corrected these errors and restated previous years' amounts.
Total Shareholders' equity	**196,458**	**158,420**	**(38,038)**	
Non-current liabilities				
Contract liabilities (non-current portion)	-	120,494	120,494	
Employee defined benefit liabilities	12,899	18,137	5,238	• IAS 19 Employee Benefits requires that EOSB be actuarially valued. The effect of this change is a decrease in equity and a decrease in the net profit. The actuarial gain resulting from the re-measurement of the employee defined benefit liabilities has been recorded in other comprehensive income.
Total non-current assets	**12,899**	**138,631**	**125,732**	
Current liabilities				
Short-term loans	179,104	179,104	-	
Trade and other payables	142,219	204,552	62,333	Reclassification of prepayments and other liabilities to trade and other payables to align with the presentation requirements of IAS 1 Presentation of Financial Statements.
Accrued expenses and other liabilities	136,668	-	(136,668)	
Contract liabilities	-	62,643	62,643	
Dividends payable	33,000	33,000	-	
Zakat payable	6,473	6,473	-	
Total current liabilities	497,464	485,772	(11,692)	
Total liabilities	**510,363**	**624,403**	**114,040**	
Total liabilities & equity	**706,821**	**782,823**	**76,002**	

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

6.8 Results of Operations

6.8.1 Income Statement

The following table presents the Company's income statement for the interim periods ended 30 June 2017G and 2018G.

Table (6.39): Income statement for the interim periods ended 30 June 2017G and 2018G

SAR thousand	Interim period ended 30 June		Increase / (decrease)
	2017G Restated unaudited	2018G Audited	
Revenue from contracts	253,952	395,520	55.7%
Direct cost	(225,894)	(349,150)	54.6%
Gross profit	28,058	46,370	65.3%
Selling and marketing expenses	(6,142)	(5,011)	(18.4%)
General & administrative expenses	(19,604)	(17,218)	(12,2%)
Operating profit	2,312	24,141	944.3%
Share in loss of associates	(1,624)	(1,862)	14.7%
Finance cost	(7,907)	(9,109)	15.2%
Finance income	370	1,600	332.3%
Other income	411	167	(59,3%)
Profit (loss) before Zakat	(6,437)	14,938	(332.1%)
Zakat	(2,427)	(3,123)	28.7%
Net profit (loss) for the period	**(8,864)**	**11,815**	**(233.3%)**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Revenue from contracts with customers increased by 55.7% from SAR 254.0 million during the six months period ended 30 June 2017G to SAR 395.5 million during the six months period ended 30 June 2018G. This primarily resulted from an increase in revenue from the Systems and Information Security units by SAR 68.3 million and SAR 52.2 million, respectively. Increases in the aforementioned business units were driven by new projects undertaken by the Company during the six months period ended 30 June 2018G.

Direct costs increased by 54.6% from SAR 225.9 million during the six months period ended 30 June 2017G to SAR 349.2 million during the six months period ended 30 June 2018G. This primarily resulted from an increase in direct costs from the Systems and Information Security units by SAR 62.5 million and SAR 46.8 million, respectively, in line with their respective revenue growths.

Gross profit increased by 65.3% from SAR 28.1 million during the six months period ended 30 June 2017G to SAR 46.4 million during the six months period ended 30 June 2018G. This primarily resulted from an increase in sales contribution by the E-Services, Systems, and Information Security units which in turn resulted in higher gross profit contribution of SAR 6.7 million, SAR 5.8 million, and SAR 5.4 million, respectively.

Selling and marketing expenses decreased by 18.4% from SAR 6.1 million during the six months period ended 30 June 2017G to SAR 5.0 million during the six months period ended 30 June 2018G. This primarily resulted from a decrease in advertising and sales promotion expenses by 64.9% on account of lower expenses incurred on advertising campaigns and exhibitions held by the Company's key vendors.

General and administrative expenses decreased by 12.2% from SAR 19.6 million during the six months period ended 30 June 2017G to SAR 17.2 million during the six months period ended 30 June 2018G. This primarily resulted from provision for credit losses recognized during the six months period ended 30 June 2017G mainly for outstanding long-term trade receivables and unbilled receivables. In comparison, no such provision was recognized during the six months period ended 30 June 2018G.

Operating profit increased from SAR 2.3 million during the six months period ended 30 June 2017G to SAR 24.1 million during the six months period ended 30 June 2018G. This primarily resulted from an increase in gross profit by 65.3%.

Share of loss of associates did not witness material fluctuation between the six-month period ended 30 June 2017G and the six-month period ended 30 June 2018G.

Finance cost increased by 15.2% from SAR 7.9 million during the six months period ended 30 June 2017G to SAR 9.1 million during the six months period ended 30 June 2018G. This primarily resulted from an increase in finance charges on short-term loans by 26.0%.

Finance income increased by 332.3% from SAR 0.4 million during the six months period ended 30 June 2017G to SAR 1.6 million during the six months period ended 30 June 2018G. This primarily resulted from unwinded interest on discounted long-term trade receivables.

Other income decreased by 59.3% from SAR 0.4 million during the six months period ended 30 June 2017G to SAR 0.2 million during the six months period ended 30 June 2018G. This primarily resulted from an income from HRDF recognized during the six months period ended 30 June 2017G. In comparison, this income was not recognized during the six months period ended 30 June 2018G.

The Company incurred a loss before Zakat of SAR 6.4 million during the six months period ended 30 June 2017G as compared to a profit before Zakat of SAR 14.9 million during the six months period ended 30 June 2018G. This primarily resulted from an increase in operating profit by SAR 21.8 million.

Zakat expense increased by 28.7% from SAR 2.4 million during the six months period ended 30 June 2017G to SAR 3.1 million during the six months period ended 30 June 2018G. This primarily resulted from an increase in the Zakat base.

The Zakat base for the six-month period ended 30 June 2018G represented shareholders' equity, adjusted net income, and other payables that have completed one Hijri year. The increase in Zakat base during the six-month period ended 30 June 2018G is attributed to the increase in provisions and other adjustments.

The Company incurred a loss for the period of SAR 8.9 million during the six months period ended 30 June 2017G as compared to a profit for the period of SAR 11.8 million during the six months period ended 30 June 2018G. This primarily resulted from loss before Zakat recognized during the six months period ended 30 June 2017G as compared profit before Zakat recognized during the six months period ended 30 June 2018G. The loss recorded in 2017G was mainly attributable to higher operating cost arising from a provision recorded for accounts receivable, following the adoption of IFRS.

6.8.2 Key Performance Indicators

The following table presents key performance indicators for the restated financial year ended 31 December 2017G and interim period ended 30 June 2018G

Table (6.40): Key performance indicators for the financial year ended 31 December 2017G and interim period ended 30 June 2018G

	Period ended	
	31 December 2017G	30 June 2018G
Gross margin (%)	15.9%	11.7%
Net profit margin (%)	6.8%	3.0%
Return on assets (%)*	6.5%	2.6%
Return on equity (%)*	32.2%	14.8%
Current ratio	1.5	1.4
Debt to equity	1.1	1.3

Source: Management information

**The six-month period results in 2018G have been prorated for comparison with the restated full year results in 2017G.*

6.8.3 Revenue

The following table presents the breakdown of the Company's revenue by business unit for the interim periods ended 30 June 2017G and 2018G.

Table (6.41): The Company's revenue by Business Unit for the interim periods ended 30 June 2017G and 2018G

SAR thousand	Interim period ended 30 June		Increase/(Decrease)	Percentage of total	
	2017G Restated unaudited	2018G Audited		2017G	2018G
Solutions	133,161	99,223	(25.5%)	52.4%	25.1%
E-Service	15,292	45,666	198.6%	6.0%	11.5%
Operation and Maintenance	42,494	62,402	46.9%	16.7%	15.8%
Networks	43,238	47,957	10.9%	17.0%	12.1%
Systems	10,984	79,315	622. 1%	4.3%	20.1%
Information Security Systems	8,784	60,958	594.0%	3.5%	15.4%
Total	**253,952**	**395,520**	**55.7%**	**100.0%**	**100.0%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Revenue from the Solutions unit decreased by 25.5% from SAR 133.2 million during the six months period ended 30 June 2017G to SAR 99.2 million during the six months period ended 30 June 2018G. This primarily resulted from lower revenue generated from active contracts during the six months period ended 30 June 2017G on account of their progression towards completion. This decrease was partially offset by new projects executed during the six months period ended 30 June 2018G.

Revenue from the E-Services unit increased by 198.6% from SAR 15.3 million during the six months period ended 30 June 2017G to SAR 45.7 million during the six months period ended 30 June 2018G. This primarily resulted from sales of software licenses to a commercial bank.

Revenue from the Operation and Maintenance unit increased by 46.9% from SAR 42.5 million during the six months period ended 30 June 2017G to SAR 62.4 million during the six months period ended 30 June 2018G. This primarily resulted from revenue generated from operation and maintenance services provided to a new government sector customer.

Revenue from the Networking unit did not witness material fluctuation between six months period ended 30 June 2017G and six months period ended 30 June 2018G.

Revenue from the Systems unit increased from SAR 11.0 million during the six months period ended 30 June 2017G to SAR 79.3 million during the six months period ended 30 June 2018G. This primarily resulted from revenue generated from sale of equipment to a new government sector customer.

Revenue from the Information Security Systems unit increased from SAR 8.8 million during the six months period ended 30 June 2017G to SAR 61.0 million during the six months period ended 30 June 2018G. This was primarily generated from a new government sector customer.

The following table presents the breakdown of the Company's revenue by customer sector for the interim periods ended 30 June 2017G and 2018G.

Table (6.42): Revenue by customer sector for the interim periods ended 30 June 2017G and 2018G

SAR thousand	Interim period ended 30 June		Increase/(Decrease)	Percentage of total	
	2017G Restated unaudited	2018G Audited		2017G	2018G
Government sector	111,892	234,711	109.8%	44.1%	59.3%
Private sector	111,571	126,561	13.4%	43.9%	32.0%
Semi-Government sector	30,489	34,248	12.3%	12.0%	8.7%
Total	**253,952**	**395,520**	**55.7%**	**100.0%**	**100.0%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Revenue generated from government customers increased by 109.8% from SAR 111.9 million during the six months period ended 30 June 2017G to SAR 234.7 million during the six months period ended 30 June 2018G. This primarily resulted from a new customer contract signed with a new government sector customer during the six months period ended 30 June 2018G.

Revenue generated from private customers increased by 13.4% from SAR 111.6 million during the six months period ended 30 June 2017G to SAR 126.6 million during the six months period ended 30 June 2018G. This primarily resulted from a new contract signed with a commercial bank for the provision of e-services during the six months period ended 30 June 2018G.

Revenue generated from semi-government customers did not witness material fluctuation between six months period ended 30 June 2017G and six months period ended 30 June 2018G.

The following table presents the breakdown of the Company's revenues by geography for the interim periods ended 30 June 2017G and 2018G.

Table (6.43): The Company's revenue by geography for the interim periods ended 30 June 2017G and 2018G

SAR thousand	Interim period ended 30 June		Increase/(Decrease)
	2017G	2018G	
Central region	152,682	324,293	112.4%
Eastern region	8,704	24,339	179.6%
Western region	92,567	46,888	(49.3%)
Total	**253,952**	**395,520**	**55.7%**

Source: Management information

Revenue from the Central region increased by 112.4% from SAR 152.7 million during the six months period ended 30 June 2017G to SAR 324.3 million during the six months period ended 30 June 2018G. This primarily resulted from new contracts signed mainly with a new government sector customer and a commercial bank.

Revenue from the Eastern region increased by 179.6% from SAR 8.7 million during the six months period ended 30 June 2017G to SAR 24.3 million during the six months period ended 30 June 2018G. This primarily resulted from an increase in revenue generated from supply of equipment and provision of services to Saudi Aramco.

Revenue from the Western region decreased by 49.3% from SAR 92.6 million during the six months period ended 30 June 2017G to SAR 46.9 million during the six months period ended 30 June 2018G. This primarily resulted from the conclusion of a customer contract with a conglomerate based in Jeddah.

The following table presents the breakdown of the Company's revenues by type of goods and services for the interim periods ended 30 June 2017G and 2018G.

Table (6.44): The Company's revenue by type of goods and services for the interim periods ended 30 June 2017G and 2018G

SAR thousand	Interim period ended 30 June		Increase/(Decrease)
	2017G Restated unaudited	2018G Audited	
Sale of computer equipment and hardware	48,853	131,214	168.6%
Sale of software license	37,032	73,894	99.5%
Sale of maintenance	83,716	87,510	4.5%
Supply of manpower	42,494	63,152	48.6%
Revenue from other services	41,859	39,750	(5.0%)
Total	**253,952**	**395,520**	**55.7%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Revenue from sales of computer equipment and hardware increased by 168.6% from SAR 48.9 million during the six months period ended 30 June 2017G to SAR 131.2 million during the six months period ended 30 June 2018G. This primarily resulted from computer equipment and hardware sales made to a new government sector customer.

Revenue from the sales of software licenses increased by 99.5% from SAR 37.0 million during the six months period ended 30 June 2017G to SAR 73.9 million during the six months period ended 30 June 2018G. This primarily resulted from an increase in revenue generated from a commercial bank for the sale of software licenses.

Revenue from maintenance activities did not witness material fluctuation between six months period ended 30 June 2017G and six months period ended 30 June 2018G.

Revenue from the supply of manpower increased by 48.6% from SAR 42.5 million during the six months period ended 30 June 2017G to SAR 63.2 million during the six months period ended 30 June 2018G. This primarily resulted from revenue generated from provision of operation and maintenance services to a new government sector customer.

Revenue from other services mainly comprised revenue generated from hardware support services. It did not witness material fluctuation between six months period ended 30 June 2017G and six months period ended 30 June 2018G.

6.8.4 Direct Costs

The following table presents the Company's direct costs for the interim periods ended 30 June 2017G and 2018G.

Table (6.45): Direct costs for the interim periods ended 30 June 2017G and 2018G

SAR thousand	Interim period ended 30 June		Increase/(Decrease)
	2017G	2018G	
Direct costs, gross	227,030	350,425	54.4%
Rebates	(1,135)	(2,647)	133.1%
Adjustments for Actuarial Valuation	-	1,371	N/A
Total	**225,894**	**349,150**	**54.6%**

Source: Management information

Gross direct costs increased by 54.4% from SAR 227.0 million during the six-month period ended 30 June 2017G to SAR 350.4 million during the six-month period ended 30 June 2018G. This primarily resulted from a new project undertaken mainly by the Systems and Information Security Systems units for a new government sector customer.

Rebates increased by 133.1% from SAR 1.1 million during the six-month period ended 30 June 2017G to SAR 2.6 million during the six-month period ended 30 June 2018G. This primarily resulted from an increase in the number of orders made to the vendors for equipment to be used in projects undertaken during the six-month period ended 30 June 2018G.

Adjustment for actuarial valuation primarily resulted from recognition of liability related to EOSB on the basis of actuarial valuation.

The following table presents the breakdown of the Company's direct costs by components for the interim periods ended 30 June 2017G and 2018G.

Table (6.46): The Company's direct costs by components for the interim periods ended 30 June 2017G and 2018G

SAR thousand	Interim period ended 30 June		Increase/(Decrease)
	2017G	2018G	
Hardware	43,255	119,493	176. 3%
Software	33,346	34,211	2.6%
Licenses	34,920	62,476	78.9%
Maintenance	77,146	77,135	0.0%
Employee costs	38,363	57,110	48.9%
Sub total	227,030	350,425	54.4%
Rebates	(1,135)	(2,647)	133.1%
Adjustments for Actuarial Valuation	-	1,371	N/A
Total	**225,894**	**349,150**	**54.6%**

Source: Management information

Hardware costs increased by 176.3% from SAR 43.3 million during the six-month period ended 30 June 2017G to SAR 119.5 million during the six-month period ended 30 June 2018G. This primarily resulted from hardware sales under new contracts mainly with a new government sector customer, an educational institution in Makkah province, and a commercial bank.

Software costs did not witness material fluctuation between the six-month period ended 30 June 2017G and the six-month period ended 30 June 2018G.

Licensing costs increased by 78.9% from SAR 34.9 million during the six-month period ended 30 June 2017G to SAR 62.5 million during the six-month period ended 30 June 2018G. This primarily resulted from new software licenses procured for a commercial bank and a government organization.

Maintenance costs did not witness material fluctuation between the six-month period ended 30 June 2017G and the six-month period ended 30 June 2018G.

Employee costs increased by 48.9% from SAR 38.4 million during the six-month period ended 30 June 2017G to SAR 57.1 million during the six-month period ended 30 June 2018G. This primarily resulted from operation and maintenance services provided to a new government sector customer.

The following table presents the breakdown of the Company's direct costs by business unit for the interim periods ended 30 June 2017G and 2018G.

Table (6.47): The Company's direct costs by Business Unit for the interim periods ended 30 June 2017G and 2018G

SAR thousand	Interim period ended 30 June		Increase/(Decrease)
	2017G Restated unaudited	2018G Audited	
Solutions	122,825	90,071	(26.7%)
E-Services	10,231	33,938	231.7%
Operation and Maintenance	38,363	57,788	50.6%
Networks	38,157	41,742	9.4%
Systems	8,881	71,420	704.2%
Information Security System	7,436	54,190	628.7%
Total	**225,894**	**349,150**	**54.6%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Direct costs for the Solutions unit decreased by 26.7% from SAR 122.8 million during the six-month period ended 30 June 2017G to SAR 90.1 million during the six-month period ended 30 June 2018G. This primarily resulted from the conclusion of certain projects with customers, including a conglomerate based in Jeddah and an educational institution in Makkah province, during the six-month period ended 30 June 2018G which were active during the six-month period ended 30 June 2017G.

Direct costs for the E-Services unit increased by 231.7% from SAR 10.2 million during the six-month period ended 30 June 2017G to SAR 33.9 million during the six-month period ended 30 June 2018G, which was in line with the increase in E-Services sales by 198.6% during the same period. This increase was largely due to services provided to new customers, mainly a commercial bank.

Direct costs for the Operation and Maintenance unit increased by 50.6% from SAR 38.4 million during the six-month period ended 30 June 2017G to SAR 57.8 million during the six-month period ended 30 June 2018G. This primarily resulted from provision of related services under a new contract with a new government sector customer.

Direct costs for the Networking unit did not witness material fluctuation between the six-month period ended 30 June 2017G and the six-month period ended 30 June 2018G.

Direct costs for the Systems unit increased from SAR 8.9 million during the six-month period ended 30 June 2017G to SAR 71.4 million during the six-month period ended 30 June 2018G. This primarily resulted from revenue generated from a new government sector customer under this unit.

Direct costs for the Information and Security System unit increased from SAR 7.4 million during the six-month period ended 30 June 2017G to SAR 54.2 million during the six-month period ended 30 June 2018G. This primarily resulted from new projects with government-related customers, which mainly included a new government sector customer, an educational institution in Makkah province, and a government development fund.

The following table presents the breakdown of the Company's profit margin by business unit for the interim periods ended 30 June 2017G and 2018G.

Table (6.48): The Company's profit margin by Business Unit for the interim periods ended 30 June 2017G and 2018G

	Interim period ended 30 June	
	2017G Restated unaudited	2018G Audited
Solutions	7.8%	9.2%
E-Services	33.1%	25.7%
Operations and Maintenance	9.7%	7.4%
Networking	11.8%	13.0%
Systems	19.1%	10.0%
Information Security System	15.3%	11.1%
Total	**11.0%**	**11.7%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

6.8.5 General and Administrative Expenses

The following table presents the Company's general and administrative expenses for the interim periods ended 30 June 2017G and 2018G.

Table (6.49): The Company's general and administrative expenses for the interim periods ended 30 June 2017G and 2018G

SAR thousand	Interim period ended 30 June		Increase/(Decrease)
	2017G Restated unaudited	2018G Audited	
Employee costs	11,357	12,881	13.4%
Provision for credit loss	3,689	-	(100.0%)
Operating lease costs	1,264	1,180	(6.6%)
Office supplies	317	1,025	223.3%
Professional fees	407	711	75.0%
Travel	205	354	73.0%
Withholding tax expenses	947	329	(65.3%)
Amortization	144	215	49.3%
Depreciation	136	197	45.3%
Others	1,138	326	(71.4%)
Total	**19,604**	**17,218**	**(12.2%)**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Employee costs increased by 13.4% from SAR 11.4 million during the six-month period ended 30 June 2017G to SAR 12.9 million during the six-month period ended 30 June 2018G. This primarily resulted from the introduction of a new compensation allowance for management personnel during the six-month period ended 30 June 2018G.

Provisions for credit losses were recognized to account for any unexpected credit risk arising mainly from outstanding long-term trade receivables and unbilled receivables.

Operating lease costs did not witness material fluctuation between the six-month period ended 30 June 2017G and the six-month period ended 30 June 2018G.

Office supplies increased by 223.3% from SAR 0.3 million during the six-month period ended 30 June 2017G to SAR 1.0 million during the six-month period ended 30 June 2018G. This primarily resulted from an increase in general office and stationery-related expenses.

Professional fees increased by 75.0% from SAR 0.4 million during the six-month period ended 30 June 2017G to SAR 0.7 million during the six-month period ended 30 June 2018G. This was mainly due to expenses incurred on account of value-added tax (VAT) advisory services.

Travel expenses increased by 73.0% from SAR 0.2 million during the six-month period ended 30 June 2017G to SAR 0.4 million during the six-month period ended 30 June 2018G. This was primarily related to an increase in the number of site visits for new projects.

Withholding tax expense decreased by 65.3% from SAR 0.9 million during the six-month period ended 30 June 2017G to SAR 0.3 million during the six-month period ended 30 June 2018G. This was based on a reasonable estimate of the outcome and ultimate withholding tax liability on the Management's estimates for the years ended 31 December 2008G up to 31 December 2017G. This estimated liability was accounted for in the Company's income statement during the six-month period ended 30 June 2018G after considering the advice of its Zakat advisor.

Amortization expenses did not witness material fluctuation between the six-month period ended 30 June 2017G and the six-month period ended 30 June 2018G. However, the marginal increase in amortization expenses during the six-month period ended 30 June 2018G was primarily attributable to additions made to intangible assets in relation to the renewal of software licenses used by the Company.

Depreciation expenses did not witness material fluctuation between the six-month period ended 30 June 2017G and the six-month period ended 30 June 2018G. However, the marginal increase in depreciation expenses during the six-month period ended 30 June 2018G was primarily attributable to additions made to equipment for computer hardware and network equipment.

Other expenses decreased by 71.4% from SAR 1.1 million during the six-month period ended 30 June 2017G to SAR 0.3 million during the six-month period ended 30 June 2018G. This primarily resulted from a decline in contractual penalties incurred on account of delay on various projects.

6.8.6 Selling and Marketing Expenses

The following table presents the Company's selling and marketing expenses for the interim periods ended 30 June 2017G and 2018G.

Table (6.50): The Company's selling and marketing expenses for the interim periods ended 30 June 2017G and 2018G

SAR thousand	Interim period ended 30 June		Increase/(Decrease)
	2017G Restated unaudited	2018G Audited	
Employee costs	4,404	4,401	(0.1%)
Advertising and sales promotion	1,738	610	(64.9%)
Total	**6,142**	**5,011**	**(18.4%)**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Employee costs did not witness material fluctuation between the six-month period ended 30 June 2017G and the six-month period ended 30 June 2018G.

Advertising and sales promotion decreased by 64.9% from SAR 1.7 million during the six-month period ended 30 June 2017G to SAR 0.6 million during the six-month period ended 30 June 2018G. This primarily resulted from lower expenses incurred on advertising campaigns and exhibitions held by the Company's key vendors.

6.8.7 Finance Cost

The following table presents the Company's finance cost for the interim periods ended 30 June 2017G and 2018G.

Table (6.51): The Company's finance cost for the interim periods ended 30 June 2017G and 2018G

SAR thousand	Interim period ended 30 June		Increase/(Decrease)
	2017G Restated unaudited	2018G Audited	
Finance charges on short-term loans	3,701	4,662	26.0%
Finance charges on long-term accounts receivable	2,344	2,706	15.5%
Finance charges on letters of credit and guarantee	655	797	21.8%
Others	1,208	945	(21.8%)
Total	**7,907**	**9,109**	**15.2%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Finance charges on short-term loans increased by 26.0% from SAR 3.7 million during the six-month period ended 30 June 2017G to SAR 4.7 million during the six-month period ended 30 June 2018G. This primarily resulted from a higher average balance of short-term borrowings during the six-month period ended 30 June 2018G as compared to during the six-month period ended 30 June 2017G.

Finance charges on long-term accounts receivables mainly referred to cost recognized upon discounting of long-term trade receivables. Finance charges on long-term accounts receivables did not witness material fluctuation between the six-month period ended 30 June 2017G and the six-month period ended 30 June 2018G.

Finance charges on letters of credit (LCs) and guarantees (LGs) did not witness material fluctuation between the six-month period ended 30 June 2017G and the six-month period ended 30 June 2018G.

Others mainly refer to charges incurred on internal/external bank transfers and foreign exchange charges on payments made to vendors. Other charges did not witness material fluctuation between the six-month period ended 30 June 2017G and the six-month period ended 30 June 2018G.

6.8.8 Other Income

The following table presents the Company's other income for the interim periods ended 30 June 2017G and 2018G.

Table (6.52): The Company's other income for the interim periods ended 30 June 2017G and 2018G

SAR thousand	Interim period ended 30 June		Increase/(Decrease)
	2017G	2018G	
Income from HRDF	320	-	(100.0%)
Interest income	91	-	(100.0%)
Discount received from suppliers	-	51	N/A
Currency hedge cash settlement	-	116	N/A
Total	**411**	**167**	**(59.3%)**

Source: Management information

Human Resource Development Fund (HDRF) claims mainly represent partial reimbursement of employee costs provided by HRDF, as an incentive for hiring and training Saudi employees. The income varies from one period to the other depending on the number of Saudi staff hired and trained.

Interest income mainly refers to income generated from time deposits held during the six-month period ended 30 June 2017G.

Rebate from suppliers resulted from exceeding the target agreed between suppliers and the Company in order to be eligible for receipt of rebates.

Currency hedge cash settlement was made mainly in respect of USD to SAR currency hedge arrangements of the Company.

6.8.9 Company's Share of Loss of Associates

The following table presents the Company's share of loss of associates for the interim periods ended 30 June 2017G and 2018G.

Table (6.53): The Company's share of loss of associates for the interim periods ended 30 June 2017G and 2018G

SAR thousand	Shareholding (%)	Interim period ended 30 June		Increase/ (Decrease)
		2017G Restated unaudited	2018G Audited	
Edarat Group SAL	50%	335	26	(92.2%)
Edarat Co. for Communication and Information Technology (Edarat CIT)	50%	889	792	(10.9%)
Phoenicia Tech Worldwide Inc. - British Virgin Islands	50%	399	1,043	161.4%
Total		**1,624**	**1,862**	**14.7%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Share of loss of associates did not witness material fluctuation between the six-month period ended 30 June 2017G and the six-month period ended 30 June 2018G.

6.8.10 Zakat

The following table presents the Company's Zakat for the interim periods ended 30 June 2017G and 2018G.

Table (6.54): Company's Zakat for the interim periods ended 30 June 2017G and 2018G

SAR thousand	Interim period ended 30 June		Increase/(Decrease)
	2017G Restated unaudited	2018G Audited	
Beginning of the year	5,321	6,473	21.6%
Charged to profit or loss	2,427	3,123	28.7%
Paid during the period	(5,320)	(6,473)	21.7%
Total	**2,428**	**3,123**	**28.6%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Zakat expenses increased by 28.6% from SAR 2.4 million during the six-month period ended 30 June 2017G to SAR 3.1 million during the six-month period ended 30 June 2018G. This primarily resulted from changes in the Zakat base of the Company.

6.8.11 Net Profit (Loss) for the Period

The Company recorded a net loss of SAR 8.9 million during the six-month period ended 30 June 2017G. This primarily resulted from higher operating costs predominantly arising from the retrospective application of IFRS 9 based provisions against billed and unbilled receivables, following the adoption of the IFRS framework in 2018G.

The Company recorded a net profit of SAR 11.8 million during the six-month period ended 30 June 2018G. This primarily resulted from growth in revenue under all business units and decline in operating costs, including general and administrative expenses and selling and marketing expenses. Decline in general and administrative expenses was mainly on account of not recording an additional provision charge during the six-month period ended 30 June 2018G, while the decline in selling and marketing expenses was driven by a decrease in advertising and sales promotion expenses.

6.9 Balance Sheet

The following table presents the Company's balance sheet as of 31 December 2017G and 30 June 2018G.

Table (6.55): The Company's balance sheet as of 31 December 2017G and 30 June 2018G

SAR thousand	Period ended		Increase/ (Decrease)
	31 Dec 2017G Restated unaudited	30 June 2018G Audited	
Assets			
Current assets	732,175	853,460	16.6%
Non-current assets	50,648	48,981	(3.3%)
Total Assets	**782,823**	**902,441**	**15.3%**
Liabilities and shareholders' equity			
Current liabilities	485,771	629,068	29.5%
Non-current liabilities	138,631	113,242	(18.3%)
Total Liabilities	624,403	742,309	18.9%
Shareholders' equity	158,420	160,132	1.1%
Total liabilities and shareholders' equity	**782,823**	**902,441**	**15.3%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Current assets increased by 16.6% from SAR 732.2 million as of 31 December 2017G to SAR 853.5 million as of 30 June 2018G. This primarily resulted from an increase in contract assets by 33.8% driven by unbilled receivables. In addition, work in progress increased by 57.7% as of 30 June 2018G on account of an overall increase in the number of projects, particularly in the Solutions, Systems, and E-Services units.

Non-current assets decreased by 3.3% from SAR 50.6 million as of 31 December 2017G to SAR 49.0 million as of 30 June 2018G. This primarily resulted from a decrease in investment in associates by 90.3% driven by losses incurred by associates.

Current liabilities increased by 29.5% from SAR 485.8 million as of 31 December 2017G to SAR 629.1 million as of 30 June 2018G. This primarily resulted from an increase in trade and other payables driven by supplies utilized on new projects.

Non-current liabilities decreased by 18.3% from SAR 138.6 million as of 31 December 2017G to SAR 113.2 million as of 30 June 2018G. This was mainly due to a 21.5% decrease in contract liabilities as a result of transferring some of the customers' balances from non-current liabilities to current liabilities.

Shareholders' equity did not witness material fluctuation between 31 December 2017G and 30 June 2018G.

6.9.1 Assets

Current Assets

The following table presents the Company's current assets as of 31 December 2017G and 30 June 2018G.

Table (6.56): The Company's current assets as of 31 December 2017G and 30 June 2018G

SAR thousand	Period ended		Increase/ (Decrease)
	31 Dec 2017G Restated unaudited	30 June 2018G Audited	
Trade receivables, prepayments, and others	342,869	358,368	4.5%
Contract assets	247,216	330,843	33.8%
Work in progress	86,276	136,089	57.7%
Cash and cash equivalents	55,814	28,160	(49.5%)
Total	**732,175**	**853,460**	**16.6%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Trade and other receivables

The following table presents the Company's trade and other receivables as of 31 December 2017G and 30 June 2018G.

Table (6.57): The Company's trade and other receivables as of 31 December 2017G and 30 June 2018G

SAR thousand	Period ended		Increase/ (Decrease)
	31 Dec 2017G Restated unaudited	30 June 2018G Audited	
Trade accounts receivable	367,788	374,001	1.7%
Less: Provision for expected credit loss	(2,206)	(2,206)	-
Less: Non-current portion	**(38,449)**	**(38,116)**	**(0.9%)**
Net trade receivables	327,133	333,679	2,0%
Margin on letters of credit and guarantee	8,664	12,230	41.2%
Prepayments	1,757	3,346	90.4%
Advances to suppliers	2,759	3,162	14.6%
VAT receivable, net	-	2,358	N/A
Advances to employees	1,012	1,016	0.4%
Amounts due from related party	691	831	20.2%
Other receivables	1,646	2,542	54.4%
Less: Provision for advances to supplies	(794)	(794)	-
Total	**342,869**	**358,368**	**4.5%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

The following table presents ageing of the Company's gross trade receivables as of 31 December 2017G and 30 June 2018G.

Table (6.58): Ageing of the Company's trade receivables as of 31 December 2017G and 30 June 2018G

SAR thousand	Below 6 months	6 months – 1 year	1 - 2 years	2 - 3 years	Above 3 years	Total
31 December 2017G	289,708	29,866	27,722	15,214	5,278	**367,788**
30 June 2018G	241,958	93,620	19,961	11,843	6,618	**374,001**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Net trade receivables did not witness material fluctuation between 31 December 2017G and 30 June 2018G.

Majority of the gross trade receivables balance was aged under 6 months as of 30 June 2018G. Gross trade receivables that are over one year past due are mainly associated with government-related customers whose payment terms have been extended.

Margin on LCs and LGs increased by 41.2% from SAR 8.7 million as of 31 December 2017G to SAR 12.2 million as of 30 June 2018G, driven mainly by the increase in margin charged by the Saudi Investment Bank on LCs issued to certain suppliers in respect of projects undertaken for a new government sector client.

Prepayments increased by 90.4% from SAR 1.8 million as of 31 December 2017G to SAR 3.3 million as of 30 June 2018G. This primarily resulted from prepayments made for the renewal of an insurance policy.

Advances to suppliers increased by 14.6% from SAR 2.8 million as of 31 December 2017G to SAR 3.2 million as of 30 June 2018G. This primarily resulted from additional advances paid to consultants in connection with the proposed IPO.

VAT receivable, net of VAT payables, mainly refers to the VAT portion of outstanding invoices to be settled by the customers. Value added tax is an indirect tax which was introduced on 1 January 2018G at a standard rate of 5%.

Advances to employees did not witness material fluctuation between 31 December 2017G and 30 June 2018G.

Amounts due from related parties mainly related to receivables against sale of hardware to Edarat Group SAL.

Other receivables mainly refer to prepayments for management fee on bank facilities, LC issuance fees, bank commission and charges. These increased by 54.4% from SAR 1.6 million as of 31 December 2017G to SAR 2.5 million as of 30 June 2018G. This primarily resulted from an increase in the bank facilities fee.

Contract Assets*

The following table presents the Company's contract assets as of 31 December 2017G and 30 June 2018G.

Table (6.59): The Company's contract assets as of 31 December 2017G and 30 June 2018G

SAR thousand	Period ended		Increase/ (Decrease)
	31 Dec 2017G Restated unaudited	30 June 2018G Audited	
Contract assets	250,019	333,646	33.4%
Provision for expected credit loss	(2,803)	(2,803)	-
Closing unbilled receivable	**247,216**	**330,843**	**33.8%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

**Contract assets refer to the account previously termed as unbilled revenue. This account has been renamed in accordance with IFRS after adopting these standards.*

The following table presents movement in the Company's contract assets as of 31 December 2017G and 30 June 2018G.

Table (6.60): Movement in the Company's contract assets as of 31 December 2017G and 30 June 2018G

SAR thousand	Period ended		Increase/ (Decrease)
	31 Dec 2017G	30 June 2018G	
Contract assets at the beginning of the period	143,043	247,216	72.8%
Revenue for the year / period	200,927	176,477	(12.2%)
Minus: Invoiced during the year / period	(92,723)	(91,364)	(1.5%)
Minus: Provision for expected losses	(4,031)	(1,486)	(63.1%)
Closing unbilled receivable	**247,216**	**330,843**	**33.8%**

Source: Management information

Contract assets increased by 33.4% from SAR 250.0 million as of 31 December 2017G to SAR 333.6 million as of 30 June 2018G. This primarily resulted from an increase in sales driven by new projects.

Work in progress

Work in progress increased by 57.7% from SAR 86.3 million as of 31 December 2017G to SAR 136.1 million as of 30 June 2018G. This primarily resulted from an overall increase in number of projects, particularly under the Solutions, Systems, and E-Services units.

Cash and cash equivalents

The following table presents the Company's cash and cash equivalents as of 31 December 2017G and 30 June 2018G.

Table (6.61): The Company's cash and cash equivalents as of 31 December 2017G and 30 June 2018G

SAR thousand	Period ended		Increase/ (Decrease)
	31 Dec 2017G Restated unaudited	30 June 2018G Audited	
Cash at banks	55,814	28,011	(49.8%)
Cash in hand	-	149	N/A
Total	**55,814**	**28,160**	**50.5%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Cash at banks decreased by 49.8% from SAR 55.8 million as of 31 December 2017G to SAR 28.0 million as of 30 June 2018G. This primarily resulted from net cash used in operating and financing activities.

Non-current assets

The following table presents the Company's non-current assets as of 31 December 2017G and 30 June 2018G.

Table (6.62): Non-current assets as of 31 December 2017G and 30 June 2018G

SAR thousand	Period ended		Increase/ (Decrease)
	31 Dec 2017G Restated unaudited	30 June 2018G Audited	
Trade receivables - non-current portion	38,449	38,116	(0.9%)
Property and equipment	9,101	9,214	1.2%
Intangible Assets	1,035	1,452	40.2%
Investments at fair value through other comprehensive income	1	1	2.1%
Investment in associates	2,061	199	(90.3%)
Total	**50,648**	**48,981**	**(3.3%)**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Non-current trade receivables

The following table presents the Company's non-current portion of trade receivables as of 31 December 2017G and 30 June 2018G.

Table (6.63): Trade receivables - non-current portion as of 31 December 2017G and 30 June 2018G

SAR thousand	Period ended		Increase/ (Decrease)
	31 Dec 2017G Restated unaudited	30 June 2018G Audited	
Trade receivables - non-current portion	38,644	38,580	(0.2%)
Provision for expected credit losses - non-current portion	(195)	(464)	138.6%
Closing trade receivables	**38,449**	**38,116**	**(0.9%)**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Non-current portion of trade receivables did not witness material fluctuation between 31 December 2017G and 30 June 2018G. In contrast, the provision for expected credit losses increased by 138.6% from SAR 0.2 million as of 31 December 2017G to SAR 0.5 million as of 30 June 2018G. This was mainly due to the increase in the balance carried-forward during the period as a result of transferring receivables from current portion to non-current portion.

Property and equipment

The following table presents the net actual value of the Company's property and equipment as of 31 December 2017G and 30 June 2018G.

Table (6.64): The Company's property and equipment as of 31 December 2017G and 30 June 2018G

SAR thousand	Period ended		Increase/ (Decrease)
	31 Dec 2017G Restated unaudited	30 June 2018G Audited	
Land	8,123	8,123	-
Equipment	674	660	(2.0%)
Motor vehicles	94	86	(8.1%)
Furniture and fixtures	211	157	(25.7%)
Capital work in progress	-	188	N/A
Total net book value	**9,101**	**9,214**	**1.2%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

The net book value of equipment, motor vehicles, and furniture and fixtures decreased by 2.0%, 8.1%, and 25.7%, respectively from 31 December 2017G to 30 June 2018G. This primarily resulted from the depreciation of the aforementioned property and equipment. This was partially offset by additions made to property, and equipment during 2018G on account of computer hardware and networking equipment.

Capital work in progress mainly refers to architecture and municipality cost incurred on the construction of the Company's new head office building.

Intangible Assets

The following table presents the Company's intangible assets as of 31 December 2017G and 30 June 2018G.

Table (6.65): The Company's intangible assets as of 31 December 2017G and 30 June 2018G

SAR thousand	Period ended		Increase/ (Decrease)
	31 Dec 2017G Restated unaudited	30 June 2018G Audited	
ERP software, Microsoft Dynamics	-	-	-
Application development project	-	-	-
Other software	1,035	1,452	40.2%
Total net book value	**1,035**	**1,452**	**40.2%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

The net book value of intangible assets increased by 40.2% from SAR 1.0 million as of 31 December 2017G to SAR 1.5 million as of 30 June 2018G. This primarily resulted from additions made to other software. These additions mainly represented the cost of renewing licenses pertaining to the various software used by the Company.

Investments at fair value through other comprehensive income

Fair value investments through other comprehensive income mainly represent equity investments held in Maroc Telecom "Ittisalat Almaghrib". These investments are not held for trading, instead these are held for medium- to long-term strategic purposes. Accordingly, the Company's Directors have elected to designate these investments in equity instruments as FVTOCI (Fair Value Through Other Comprehensive Income). These investments are valued using quoted bid prices in an active market.

Investments in associates

The following table presents the Company's investments in associates as of 31 December 2017G and 30 June 2018G.

Table (6.66): The Company's investment in associates as of 31 December 2017G and 30 June 2018G

SAR thousand	Period ended		Increase/ (Decrease)
	31 Dec 2017G Restated unaudited	30 June 2018G Audited	
Edarat Group SAL	225	199	(11.6%)
Edarat Co. for Communication and Information Technology (Edarat CIT)	792	-	(100.0%)
Phoenicia Tech Worldwide Inc. - British Virgin Islands	1,043	-	(100.0%)
Total	**2,061**	**199**	**(90.3%)**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Investment in associates decreased by 90.3% from SAR 2.1 million as of 31 December 2017G to SAR 0.2 million as of 30 June 2018G. This primarily resulted from operational losses incurred by Edarat Group SAL, Edarat CIT, and Phoenicia.

6.9.2 Liabilities

Current Liabilities

The following table presents the Company's current liabilities as of 31 December 2017G and 30 June 2018G.

Table (6.67): The Company's current liabilities as of 31 December 2017G and 30 June 2018G

SAR thousand	Period ended		Increase/ (Decrease)
	31 Dec 2017G Restated unaudited	30 June 2018G Audited	
Short-term loans	179,104	213,150	19.0%
Trade and other payables	204,552	320,202	56.5%
Contract liabilities	62,643	91,593	46.2%
Dividends payable	33,000	1,000	(97.0%)
Zakat payable	6,473	3,123	(51.8%)
Total	**485,771**	**629,068**	**29.5%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Short-term loans

The following table presents the Company's short-term loans as of 31 December 2017G and 30 June 2018G.

Table (6.68): The Company's short-term loans as of 31 December 2017G and 30 June 2018G

SAR thousand	Period ended		Increase/ (Decrease)
	31 December 2017G	30 June 2018G	
Short term financing facilities			
Alawwal Bank	32,243	79,384	146.2%
Banque Saudi Fransi	43,636	65,291	49.6%
Saudi Investment Bank	12,555	2,181	(82.6%)
Samba Financial Group	4,748	-	(100.0%)
Riyad Bank	14,969	13,166	(12.0%)
National Bank of Kuwait	33,466	24,578	(26.6%)
SABB	16,866	8,909	(47.2%)
Gulf International Bank	2,977	1,154	(61.2%)
Oracle Finance Department (Vendor Financing)	11,884	10,104	(15.0%)
Total short-term financing facility	**173,344**	**204,767**	**18.1%**
Letter of credit facilities			
Gulf International Bank	5,760	5,760	-
National Bank of Kuwait	-	2,622	N/A
Total letter of credit facility	5,760	8,382	45.5%
Total	**179,104**	**213,150**	**19.0%**

Source: Management information

Short-term financing facilities increased by 18.1% from SAR 173.3 million as of 31 December 2017G to SAR 204.8 million as of 30 June 2018G. This primarily resulted from an increase in Alawwal Bank financing facility and Banque Saudi Fransi financing facility by 146.2% and 49.6%, respectively. Additional financing drawdowns from the aforementioned banks were mainly on account of working capital financing for in-progress projects of the Company.

Short-term financing facilities are secured by personal guarantees of the shareholders, promissory notes, and assignment of certain contract proceeds as a security.

Letter of credit facilities increased by 45.5% from SAR 5.8 million as of 31 December 2017G to SAR 8.4 million as of 30 June 2018G. This primarily resulted from a new letter of credit refinanced facility obtained from NBK. This was initially a letter of credit obtained for one of the local suppliers for a Ministry of Transport project; however, it was converted to a loan by National Bank of Kuwait closer to its maturity as of 30 June 2018G. Noting that the letter of credit has a 90-day maturity, with the Company retaining the option to pay the amount when it is due or transferring it to a financing loan with a period of 270 days.

Trade and other payables

The following table presents the Company's trade and other payable as of 31 December 2017G and 30 June 2018G.

Table (6.69): The Company's trade and other payable as of 31 December 2017G and 30 June 2018G

SAR thousand	Period ended		Increase/ (Decrease)
	31 Dec 2017G Restated unaudited	30 June 2018G Audited	
Trade payables	133,309	260,711	95.6%
Accrued liabilities	34,802	37,229	7.0%
Withholding tax payables	17,198	15,069	(12.4%)
Employee related accruals	6,138	6,752	10.0%
Amounts due to related parties	8,815	44	(99.5%)
Other payables	4,290	395	(90.8%)
Total	**204,552**	**320,202**	**56.5%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Trade payables increased by 95.6% from SAR 133.3 million as of 31 December 2017G to SAR 260.7 million as of 30 June 2018G. This primarily resulted from an increase in payables mainly related to equipment and software vendors in respect of new projects undertaken by the Company. This led to an increase in average days payable increased from 118 days as of 31 December 2017G to 167 days as of 30 June 2018G.

Accrued liabilities increased by 7.0% from SAR 34.8 million as of 31 December 2017G to SAR 37.2 million as of 30 June 2018G. This primarily resulted from an increase in accrued project costs related to new projects undertaken mainly for a new government sector customer.

Withholding tax payable decreased by 12.4% from SAR 17.2 million as of 31 December 2017G to SAR 15.1 million as of 30 June 2018G. This primarily resulted from settlement of withholding taxes incurred on payments made by the Company to foreign vendors in respect of purchases for the projects.

Employee related accruals did not witness material fluctuation between 31 December 2017G and 30 June 2018G.

Amounts due to related parties decreased by 99.5% from SAR 8.8 million as of 31 December 2017G to SAR 44,435 as of 30 June 2018G. This primarily resulted from payments made to Electronic Maps Trading Company for the purchase of GIS and other products, which were outstanding as of 31 December 2017G.

Other payables mainly refer to audit fees payables and reimbursements against business-related expenses incurred by the employees. Other payables decreased by 90.8% from SAR 4.3 million as of 31 December 2017G to SAR 0.4 million as of 30 June 2018G. This primarily resulted from recognition of advances received from one of the customers.

Contract Liabilities

The following table presents the Company's contract liabilities as of 31 December 2017G and 30 June 2018G.

Table (6.70): The Company's contract liabilities as of 31 December 2017G and 30 June 2018G

SAR thousand	Period ended		Increase/ (Decrease)
	31 December 2017G	30 June 2018G	
Contract liabilities at the beginning of the period	91,313	183,137	100.6%
Deferred revenues	157,100	65,629	(58.2%)
Revenue recognized	(65,276)	(62,643)	(4.0%)
Contract liabilities at the end of the period	**183,137**	**186,123**	**1.6%**
Less: Non-current portion	(120,494)	(94,530)	(21.5%)
Net contract liabilities - non-current portion	**62,643**	**91,593**	**46.2%**

Source: Management information

Contract liabilities mainly comprised revenue to be recognized in a future period, which is amortized based on completion of project obligations. The Company bifurcated the contract liabilities balance into two separate items, a current portion and a non-current portion as of 30 June 2018G. Contract liabilities increased by 46.2% from SAR 62.6 million as of 31 December 2017G to SAR 91.6 million as of 30 June 2018G. The increase in contract liabilities was mainly due to new projects related to the Systems, E-Services, and Information Security units.

Dividends Payable

The Board of Directors declared dividends amounting to SAR 51.1 million for the year ended 31/12/2017G. Out of the declared dividends, SAR 33.0 million remain outstanding for the same period.

On 30 June 2018G, the Company declared the distribution of interim dividends amounting to SAR 11.6 million. During the same period, SAR 43.6 million was distributed. Thus, dividends payable balance as of 30 June 2018G amounted to SAR 1.0 million, this amount was later distributed during July 2018G.

Zakat Payable

The Company has finalized its Zakat assessment with GAZT up to 2007G and obtained a final Zakat certificate. The Company filed Zakat returns for the years 2008G through 2017G, which are still under review by GAZT and for which the result cannot be determined reliably.

On 30 June 2018G, the Company's Management determined a reasonable estimate for the outcome of the Zakat tax liability based on their estimates for the years ended 31 December 2008G, and have provided for these liabilities in the interim financial statements. The Company has recognized the liability after taking into account the advice from its Zakat advisor.

Non-Current Liabilities

Contract Liabilities

The Company bifurcated the balances of the contract liabilities into two separate items, a current portion and a non-current portion, as of 30 June 2018G. Non-current contract liabilities decreased by 21.5% from SAR 120.5 million as of 31 December 2017G to SAR 94.5 million as of 30 June 2018G. The decrease in contract liabilities was mainly due to transferring balances from the non-current to the current portion of contract liabilities.

End-of-service benefits (EOSB)

The following table presents the Company's EOSB as of 31 December 2017G and 30 June 2018G.

Table (6.71): The Company's end of service benefits as of 31 December 2017G and 30 June 2018G

SAR thousand	Period ended		Increase/ (Decrease)
	31 Dec 2017G Restated unaudited	30 June 2018G Audited	
At the beginning of the year	17,510	18,137	3.6%
Interest cost	6,010	3,400	(43.4%)
Current service cost	718	371	(48.3%)
Paid during the period	(1,721)	(1,748)	1.5%
Actuarial gain	(4,380)	(1,449)	(66.9%)
Closing	**18,137**	**18,711**	**3.2%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

EOSB is a defined benefit liability, which is determined through actuarial valuations carried out at the end of each reporting period. EOSB did not witness material fluctuation between 31 December 2017G and 30 June 2018G.

6.9.3 Shareholders' Equity

The following table presents the Company's shareholders' equity as of 31 December 2017G and 30 June 2018G.

Table (6.72): The Company shareholders' equity as of 31 December 2017G and 30 June 2018G

SAR thousand	Period ended		Increase / (decrease)
	31 Dec 2017G Restated unaudited	30 June 2018G Audited	
Share capital	50,000	50,000	-
Statutory reserve	25,000	25,000	-
Retained Earnings	83,420	85,132	2.1%
Total	**158,420**	**160,132**	**1.1%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Share capital

The Company had a share capital of SAR 50.0 million as 5.0 million shares valued at SAR 10.0 each.

Statutory reserve

In accordance with the Companies Law and the Company's Bylaws, the Company must transfer 10% of its annual net income to the statutory reserve until it reaches 30% of the share capital. Due to transfers made in prior years, the reserve reached 50% of the share capital and the Company has decided to maintain such reserve. This reserve is not available for distribution.

Retained Earnings

Retained earnings did not witness material fluctuation between 31 December 2017G and 30 June 2018G contrary to an increase in net income during the same period. This primarily resulted from declaration of interim dividends amounting to SAR 11.6 million during six-month period ended 30 June 2018G.

6.9.4 Cash Flow Statement

The following table presents the Company's cash flow statement for the interim periods ended 30 June 2017G and 2018G.

Table (6.73): The Company's cash flow statement for the interim periods ended 30 June 2017G and 2018G

SAR thousand	Interim period ended 30 June		Increase/ (Decrease)
	2017G Restated unaudited	2018G Audited	
Net cash used in operating activities	(4,357)	(17,208)	295.0%
Net cash used in investing activities	(335)	(941)	180.7%
Net cash from / (used in) financing activities	9,591	(9,506)	(199.1%)
Net cash flow for the period	**4,899**	**(27,654)**	**(664.5%)**
Cash and cash equivalents at the beginning of the year	50,687	55,814	10.1%
Cash and cash equivalents at the end of the year	**55,586**	**28,160**	**(49.3%)**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Cash flow from operating activities

The following table presents the Company's cash flow from operating activities for the interim periods ended 30 June 2017G and 2018G.

Table (6.74): The Company's cash flow from operating activities for the interim periods ended 30 June 2017G and 2018G

SAR thousand	Interim period ended 30 June		Increase/ (Decrease)
	2017G Restated unaudited	2018G Audited	
Income/ (loss) before Zakat	(3,608)	16,387	(554.1%)
Adjustments for reconciliation of Profit (loss) before Zakat with			
net cash flows Employee defined benefit liabilities	2,115	2,322	9.8%
Provision for credit loss	(3,689)	-	(100.0%)
Share of loss of associates	1,624	1,862	14.7%
Depreciation	136	197	45.3%
Amortization	144	215	49.3%
Finance charges	5,563	6,403	15.1%
Working capital adjustments			
Trade receivables, prepayments and others	(62,025)	(15,165)	(75.5%)
Contract assets	58,677	(83,627)	(242.5%)
Work in progress	52,380	(49,813)	(195.1%)
Trade and other payables	(8,186)	115,650	(1,512.8%)
Revenue deferred	(33,537)	2,986	(108.9%)
Employee defined benefit liabilities paid	(1,351)	(1,748)	29.4%
Finance charges paid	(5,563)	(6,403)	15.1%
Zakat paid	(7,035)	(6,473)	(8.0%)
Net cash flow used in operating activities	**(4,357)**	**(17,208)**	**295.0%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Net cash used in operating activities increased by 295.0% from SAR 4.4 million during the six-month period ended 30 June 2017G to SAR 17.2 million during the six-month period ended 30 June 2018G. This primarily resulted from an increase in contract assets and work in progress balances during the six-month period ended 30 June 2018G. Increase in the aforementioned balances was partially offset by an increase in trade and the other payables balance during the six-month period ended 30 June 2018G.

Cash flows from investing activities

The following table presents the Company's cash flow from investing activities for the interim periods ended 30 June 2017G and 2018G.

Table (6.75): The Company's cash flow from investing activities for the interim periods ended 30 June 2017G and 2018G

SAR thousand	Interim period ended 30 June		Increase/ (Decrease)
	2017G Restated unaudited	2018G Audited	
Purchase of property and equipment	(79)	(310)	290.3%
Purchase of investment	(94)	-	(100.0%)
Purchase of intangible assets	(162)	(631)	289.4%
Net cash flow used in investing activities	**(335)**	**(941)**	**180.7%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Net cash flow used in investing activities increased by 180.7% from SAR 0.3 million during the six-month period ended 30 June 2017G to SAR 0.9 million during the six-month period ended 30 June 2018G. This primarily resulted from renewal of various licenses used by the Company.

Cash flows from financing activities

The following table presents the Company's cash flow from financing activities for the interim periods ended 30 June 2017G and 2018G.

Table (6.76): The Company's cash flow from financing activities for the interim periods ended 30 June 2017G and 2018G

SAR thousand	Interim period ended 30 June		Increase/ (Decrease)
	2017G Restated unaudited	2018G Audited	
Repayment of borrowings	(179,143)	(191,664)	7.0%
Proceeds from borrowings	192,795	225,710	17.1%
Dividend paid	(4,061)	(43,552)	972.6%
Net cash flows from/(used in) financing activities	**9,591**	**(9,506)**	**(199.1%)**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Net cash from financing activities amounted to SAR 9.6 million during the six-month period ended 30 June 2017G. On the other hand, net cash used in financing activities amounted to SAR 9.5 million during the six-month period ended 30 June 2018G. This primarily resulted from payment of dividends.

6.9.5 Contingent liabilities

The following table presents the Company's contingent liabilities as of 31 December 2017G and 30 June 2018G.

Table (6.77): The Company's contingent liabilities as of 31 December 2017G and 30 June 2018G

SAR thousand	Period ended		Increase/ (Decrease)
	31 Dec 2017G Restated unaudited	30 June 2018G Audited	
Letter of credit	15,967	62,322	290.3%
Letter of guarantees	113,178	126,459	11.7%
Total	**129,146**	**188,781**	**46.2%**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

The Company had outstanding LCs for foreign and local suppliers against purchase of hardware and software in the form of a traditional LC or SBLC.

The Company also had multiple outstanding LG agreements with different banks in the name of governmental clients in the form of bid bonds and performance bonds.

Operating Lease

The Company had operating lease commitments of SAR 317,876 as of 30 June 2018G.

6.9.6 Related Party Transactions and Balances

Related party transactions

The following table presents the Company's related party transactions for the interim periods ended 30 June 2017G and 2018G

Table (6.78): The Company's related party transactions for the interim periods ended 30 June 2017G and 2018G

SAR thousand	Period ended	
	30 Dec 2017G Restated unaudited	30 June 2018G Audited
Purchases from related parties	4,782	5,807
Revenue from related parties	91	89
Operating lease income form related parties	128	128
Total	**5,000**	**6,024**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Purchase from related parties

Purchase transactions mainly refer to outsourcing of certain post-sales implementation services to Edarat Group SAL. In addition, it also represents services and support for GIS products from Esri Saudi Arabia Ltd. Company.

Revenue from related parties

Sales transactions mainly relate to sales of hardware and training services provided to Edarat Group SAL and Esri Saudi Arabia Limited.

Operating lease income from related parties

Rental income refers to an arrangement between the Company and Edarat CIT to share office space. Edarat CIT pays the Company an annual amount of SAR 0.3 million.

Related Party Balances

The following table presents the Company's related party balances as of 31 December 2017G and 30 June 2018G.

Table (6.79): Related party balances as of 31 December 2017G and 30 June 2018G

SAR thousand	Period ended		Increase/ (Decrease)
	31 Dec 2017G Restated unaudited	30 June 2018G Audited	
Amounts due from related party			
Edarat Co. for Communication and Information Technology (associate)	691	451	(34.8%)
Esri Saudi Arabia Limited Company (affiliate)	-	380	-
Total	**691**	**831**	**(26.0%)**
Amounts due to related parties			
Electronic Maps Trading Company (affiliate)	898	44	(95.1%)
Esri Saudi Arabia Limited Company (affiliate)	7,917	-	(100.0%)
Total	**8,815**	**44**	**(99.5%)**

Source: the Company's audited financial statements for the interim period ended 30 June 2018G

Amounts due from Edarat Co. for Communication and Information Technology was mainly related to receivables against sale of hardware.

Amounts due from Esri Saudi Arabia Limited Company were also mainly related to receivables against sale of hardware.

Amounts due to Electronic Maps Trading Company were mainly related to purchase of GIS and other products.

Amounts due to Esri Saudi Arabia Limited Company were mainly related to services and support for GIS products.

7. Dividend Distribution Policy

Under Article 110 of the Companies Law, a shareholder is vested with all rights attached to shares, which includes in particular the right to receive a share in the profits declared for distribution. The Board of Directors shall recommend declaring any dividends before approval by the shareholders at the General Assembly meeting. The Company is under no obligation to declare a dividend and any decision to do so will depend on, amongst other things, the Company's historic and anticipated earnings and cash flow, financing and capital requirements, market and general economic conditions, and the Company's Zakat position, as well as legal and regulatory considerations. In addition, dividend distribution is subject to restrictions set out in financing agreements entered into with .financing parties For example, the Company shall obtain the approval of certain financing parties prior to the distribution of dividends exceeding a certain percentage of net profits (approval of Alawwal Bank for a dividend of more than 50% and the approval of Banque Saudi Fransi, Gulf Bank, and the Saudi British Bank for a dividend of more than 70%). For more details, please refer to Section 12.8 ("**Financing Agreements**"). Dividend distribution is subject to the restrictions set out in the Company's Bylaws. Dividends will be distributed in Saudi Arabian Riyals.

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

- 10% of the net profit shall be set aside to form a statutory reserve. Such allocations to the statutory reserve may be discontinued by the Ordinary General Assembly when the statutory reserve amounts to 30% of the Company's share capital.
- The Ordinary General Assembly may, at the request of the Board, set aside 30% of the net profits to build up an additional reserve.
- The Ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the shareholders.
- The said Assembly may also withhold certain amounts from the net profits for the creation of social organizations for the Company's employees and workers, or for supporting such organizations as may already be in existence.
- Out of the balance of the net profits, shareholders shall receive a payment amounting to 5% of the Company's paid-up capital.

The Company may distribute dividends on a quarterly or semi-annual basis in accordance with the rules approved by the competent authority.

The table below summarizes dividends declared and distributed by the Company since the start of 2015G.

Table (7.1): Dividends declared and paid during the years ended 31 December 2015G, 2016G, and 2017G, and the six month-period ended 30 June 2018G (in SAR)

SAR	2015G	2016G	2017G	Six-month period ended 30/06/2018G*
Declared dividends for the period	25,318,295	25,621,153	51,141,481	11,552,260
Paid distributions during the period	25,318,295	25,621,153	18,141,481	43,552,171
Total comprehensive or net income of the year	40,906,806	36,083,705	76,808,332	11,814,589
Ratio of net income to declared dividends	62%	71%	67%	98%

Source: The Company

** In its meeting held on 25/12/2018G, the Company's Board of Directors approved a dividend of SAR 20,447,740 for the second half of 2018G, which will be paid to the Selling Shareholders before the start of the Offering and will be presented at the first General Assembly held by the Company after CMA approval.*

The Board of Directors has announced dividends of SAR 51.1 million for the year ended 31/12/2017G. Of these announced dividends, SAR 33.0 million remain outstanding for the same period.

On 30 June 2018G, the Company announced the distribution of interim dividends of SAR 11.6 million. During the same period, SAR 43.6 million was distributed. Thus, SAR 1.0 million remained a dividends payable on 30 June 2018G, which was distributed in July 2018G.

8. Use of Proceeds

The total proceeds from the Offering are estimated at SAR (216,000,000) million, of which approximately SAR (15,000,000) will be applied to settle all expenses related to the Offering, which include the fees of the Financial Advisors, Lead Manager, Legal Advisor, Market and Sector Study Consultant, Accountants, Receiving Agents fees, underwriting fees, marketing, printing, and distribution fees, as well as other fees related to the Offering. It should be noted that the Company will not bear any of the expenses related to the Offering, but that the shareholders will bear all the expenses related to the Offering. The net proceeds of the Offering will be approximately SAR (201,000,000), which will be distributed to the Selling Shareholders on a pro rata basis to according to their shareholding amount. The Company will not receive any part of the proceeds from the Offering.

9. Capitalization of the Company's Capital and Indebtedness

The Company's current shareholders hold all the Company's shares prior to the Offering. Upon completion of the Offering, they will jointly hold seventy percent (70%) of the Company's shares.

The following table shows the Company's capitalization as reflected in the Company's audited financial statements for the year ended 31 December 2015G, the audited financial statements for the year ended 31 December 2016G, the audited financial statements for the year ended 31 December 2017G and the audited financial statements for the six-month period ended 30 June 2018G. Please note that the following table should be read together with the relevant financial statements, including the attached clarifications contained in Section 19 ("**Financial Statements and Accountants Report**").

Table (9.1): Capitalization of the Company's Capital and Indebtedness

(SAR thousand)	31 December 2015G (Audited)	31 December 2016G (Audited)	31 December 2017G (Audited)	30 June 2018G (Audited)
Total Short-Term Loans	215,242	162,183	179,104	213,150
Shareholders' equity				
Share capital	50,000	50,000	50,000	50,000
Statutory reserve	25,000	25,000	25,000	25,000
Retained Earnings	85,328	95,791	121,458	85,132
Total shareholders' equity	160,328	170,791	196,458	160,132
Total capitalization (Total loans + Total shareholders' equity)	375,570	332,974	375,561	373,282

Source: Audited Financial Statements for the years ended 31 December 2015G, 2016G, and 2017G and Audited Financial Statements for the six-month period ended 30 June 2018G.

The members of the Board of Directors shall declare that:

- None of the Company's shares are under option.
- Neither the Company nor any subsidiary has any debt instruments as of the date of this Prospectus.
- The Company's balance and cash flows are sufficient to meet its expected cash and working capital requirements for at least twelve (12) months after the date of this Prospectus, taking into account any adverse and material change to the Company's business.

10. Statements by Experts

Written approvals have been obtained from the experts whose names are mentioned in pages (iv) for the use of their names, addresses and logos in the form stated in this Prospectus, and none of these approvals has been withdrawn. Moreover, none of the Company, their employees - forming part of the engagement team serving the Company - or relatives have any shareholding or interest of any kind in the Company as of the date of the Prospectus that may affect their independence.

11. Declarations

The members of the Board of Directors declare that:

- None of the Board members, Senior Executives, or the Board Secretary has ever been declared bankrupt or subject to bankruptcy proceedings.
- There has been no declaration, within the last five years, of any bankruptcy or insolvency of any of the Company's Board members, Senior Executives, or the Board Secretary with an administrative or supervisory position.
- Except as described in in Section 5.7 ("Conflict of Interest") and Section 12.9 ("Material Contracts with Related Parties"), none of the Board members, Senior Executives, the Secretary, or any of their relatives or affiliates have any interest in any existing written or oral contracts, arrangements, or agreements under consideration or to be concluded with the Company until the date of this publication.
- Except as disclosed in Section 12.9 ("Material Contracts with Related Parties"), none of the Board members, Senior Executives, the Secretary, or any of their relatives has any shares or interests of any kind in the Company, its associates, or debt instruments. Moreover, the Company and its subsidiary may not provide a cash loan of any kind to the Board members or guarantee any loan obtained by one of them.
- No commissions, discounts, brokerage fees, or any non-monetary compensation were granted by the Company or any of its subsidiaries during the three years preceding the date of applying for registration and offering of the securities with respect to issuance or offering of any securities.
- There has been no interruption in the Company's business or that of its associates that may influence or have a significant impact on its financial situation during the last 12 months.
- There is no intention to materially change the nature of the Company's activities.
- As of the date of this Prospectus, they will vote on decisions related to contracts or transactions in which they have a direct or indirect interest.
- There has been no material adverse change in the financial or trading position of the Company during the three years preceding the year of submitting the application for registration and offering of the securities subject to this Prospectus, in addition to the period covered by the Chartered Accountant's report until the date of the approval of this Prospectus.
- As of the date of this Prospectus, there has been no employee share scheme that would involve employees in the Company's capital, and no other similar arrangements are in place.
- The Company does not have any securities (contractual or otherwise) or any assets that are subject to fluctuation, which would adversely and materially affect the balance sheets.
- Except as disclosed in Section 2 ("Risk Factors"), the Company is not aware of any information regarding any governmental, economic, financial, monetary, or political policies or any other factors that have or may materially affect (directly or indirectly) its operations.
- Except as disclosed in Section 2 ("Risk Factors"), the Company is not aware of any seasonal factors or economic cycles related to the business that may have an effect on the Company's businesses or its financial position.
- Statistical information used in Section 3 ("Market Overview") that is obtained from foreign sources represent the latest information available from its source.
- The Company's insurance policies sufficiently cover the Company and its business. The Company periodically renews insurance policies and contracts in order to ensure continued insurance coverage.
- All contracts and agreements that the Company believes to be significant or material or which may affect the investor's decisions to invest in the Offering Shares have been disclosed. There are no other material agreements that have not been disclosed.
- All terms and conditions that may affect investor decisions are disclosed in the Offering Shares.
- As of the date of this Prospectus, there are no significant contracts or transactions with related parties that have a significant impact on the business of the Company or its associates. Moreover, the Company has no intention to enter into any new contracts with related parties, except as described in Section 12 ("Legal Information").
- The Selling Shareholders shall incur all expenses and costs pertaining to the Offering, and such expenses will be deducted from the proceeds of the Offering. These expenses include the fees of Financial Advisors, Lead Manager, Underwriter, Legal Advisor, Chartered Accountant, and Market and Sector Study Consultant as well as the Receiving Agents fees, marketing, printing and distribution and other expenses related to the Offering.
- According to this Prospectus, there is currently no dispute with, or objection by, GAZT. The Selling Shareholders shall incur any additional claims that may be filed by GAZT for the preceding years until 2018G. The Selling Shareholders' undertakings have been given.

- They have developed procedures, controls, and systems that would enable the Company to meet the requirements of relevant laws, regulations, and legislations, including the Companies Law, CMA Law and its Implementing Regulations, and Rules on the Offer of Securities and Continuing Obligations, as well as Listing Rules.
- The Company insures all of its staff.
- As of the date of this Prospectus, persons whose names appear in Section 4.4 (“Ownership Structure of the Company before and after the Offering”) are the de jure and de facto owners of the Company’s Shares. In addition, the Board members acknowledge that the ownership structure of the Company is compliant with the Foreign Investment Law.
- All increases that the capital of the Company had do not conflict with the applicable regulations and acts in the Kingdom.
- Except as disclosed in Section 2 (“Risk Factors”), and to the best of their knowledge and belief, there are no other material risks that may affect a prospective investors’ decision to invest in the Offer Shares.
- Except as disclosed in Section 12.5 (“Required licenses and approvals”), the Company has obtained all the essential operating licenses and approvals.
- Except as disclosed in Section 12.13 (“Cases, claims, and statutory procedures”), the Company and its associates are not party to any disputes, claims, lawsuits, or outstanding investigation proceedings that may have a material impact on the Company’s operations or financial position.
- Except as disclosed in Section 12.8 (“Finance Agreements”), the Company has not issued any debt instruments, or received any term or other loans or any outstanding loans or debts, including bank overdrafts, liabilities under acceptance, acceptance credits, or purchase commitments.
- Except as disclosed in Section 12.8 (“Finance Agreements”), there are no other mortgages, rights, and encumbrances on the Company’s properties as of the date of this Prospectus.
- The Issuer - severally or jointly with its associates - has working capital sufficient for at least twelve (12) months immediately following the date of publication of this Prospectus.
- No shares of the Company or its associates are subject to any option rights.
- As of the date of this Prospectus, the Company or its associates do not have a research and development (R&D) policy and the Company does not make any deliverables.
- The financial information presented in this Prospectus and the audited financial statements for the years ended 31 December 2015G, 2016G and 2017G and the notes thereto, have been prepared in accordance with the accounting standards issued by SOCPA, and the interim audited financial statements of the Company for the six-month period ending 30 June 2018G and notes thereto, have been prepared in compliance with IAS 34 and IFRS 1, and audited by the public accountants.
- The financial information presented in this Prospectus have been derived from the audited financial statements for the years ended 31 December 2015G, 2016G, and 2017G prepared in accordance with the accounting standards issued by SOCPA, and the interim audited financial statements of the Company for the six-month period ending 30 June 2018G and notes thereto, have been prepared in compliance with IAS 34 and IFRS 1, without any material change thereto, except for approximation purposes.
- The Company is capable of preparing necessary reports in timely manner according to executive regulations issued from SOCPA.
- Except as disclosed in Section 12.8 (“Finance Agreements”), all necessary approvals have been obtained from lenders to offer 30% of the Company’s shares in order for the Company to be a public joint stock Company.
- The Company is committed to all the terms and conditions under agreements entered into with donors of all loans, facilities, and financing.

In addition to the declarations set out above, the Board members declare and acknowledge that:

- Third party information and data included in this Prospectus, including the information derived from the market research report prepared by the Market Consultant, is reliable and there is no reason for the Company to believe that such information is materially inaccurate.
- The Company has laid down appropriate internal control systems, including a written policy to regulate conflicts of interest and address any possible cases of conflict, which include the misuse of the Company’s assets and abuse resulting from transactions with related parties, in addition to ensuring the integrity of the financial and accounting procedures and ensuring the implementation of control procedures appropriate for risk management in accordance with the requirements of Part 4 of the Corporate Governance Regulations. The Board members also review the Company’s internal control procedures annually.
- Accounting and internal control systems and information technology are sufficient and convenient.

- Except as disclosed in Section 5.7 (“**Conflict of Interest**”) and (“**Material Contracts with Related Parties**”), there is no conflict of interest related to the Board members in respect of contracts or transactions entered into with the Company.
- Except as disclosed in (5.7) (“Conflict of Interest”), none of Board members participate in any similar or competitive activity of the Company or its associates. Board members undertake to fulfil this regulatory requirement in the future as per Article (72) of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations.
- The Board members may not have any direct or indirect interest in the transactions and contracts of the Company except with the permission of the Ordinary General Assembly.
- The Board members must declare to the Board any direct or indirect personal interest he may have in the transactions or contracts made on behalf of the Company account. Such declarations must be recorded in the minutes of the Board meeting.
- All transactions with related parties will be made on a competitive basis and voting on all businesses and contracts with related parties in the meetings of the Board of Directors and - where the Law provides – the Ordinary General Assembly of the Company, provided that a Board member who has an interest, directly or indirectly, in these contracts shall refrain from voting, whether in the Board of Directors or the Ordinary General Assembly in accordance with Article (71) of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations.
- Neither the Board members nor the CEO may vote on the fees and bonuses granted to them.
- Neither the Board members nor Senior Executives may borrow from the Company or its associates, and the Company will not guarantee any loan received by any of the Board members.

The Board members shall:

- Record the Board declarations and resolutions in written minutes signed thereby.
- Disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations.
- Comply with Articles 71, 72, and 73 of the Companies Law, and Chapter 6 of Part 3 of the Corporate Governance Regulations.
- Not grant bank guarantees to third parties.
- Adopt a regulation of the procedures to be taken by government and private entities when bidding for tenders.
- Present the updated Bylaws at the first General Assembly of the Company for approval prior to listing, after obtaining CMA approval.

12. Legal Information

12.1 Declarations related to legal information

The Board members declare that:

A- The Offering does not violate relevant laws and regulations in Saudi Arabia.

B- The Offering does not prejudice any of the contracts or agreements to which the Company is a party.

C- All material legal information relating to the Company has been disclosed in the Prospectus.

D- Except as described in in Section 12.13 ("Cases, claims, and statutory procedures"), the Company is not involved in any lawsuits or legal proceedings that may individually affect the Company's business or as a whole have a material impact on the Company's business or financial position.

E- The Board of Directors shall not be subject to any legal claims or proceedings that may materially affect, individually or wholly, the Company's business or its financial position.

12.2 The Company

Al Moammar Information Systems Company (the "Company") is a Saudi closed joint stock Company incorporated under Ministry of Commerce and Investment Resolution No. 52/S dated 12/02/1429H (corresponding to 20/02/2008G) and registered in Riyadh under Commercial Registration No. 1010063470 dated 10/01/1407H (corresponding to 15/09/1986G). The Company's head office is located in Al-Rabi District, King Abdulaziz Road, P.O Box. 16116, Riyadh 11464, Kingdom of Saudi Arabia.

The Company's current share capital is one hundred and sixty million Saudi Riyals (SAR 160,000,000) divided into sixteen million (SAR 16,000,000) Ordinary Shares with fully paid nominal value of ten Saudi Riyals (SAR 10) per Share.

The Company operates through five branches in the Kingdom in Riyadh, Jeddah, and Khobar.

The current principal activities of the Company under its Bylaws include:

1- Importing and exporting.

2- Wholesale and retail trade in computers and electronic devices (installation, operation, and maintenance).

3- Wholesale and retail trade in, and maintenance of, electronic devices.

4- Electrical and electronic works (installation, operation, and maintenance of computers).

5- Communication technology (installation, operation, and maintenance).

6- Contracting activity in works of telecommunication networks and electronic installations, maintenance and operation of electrical installations, maintenance of telephone networks, general building contracting, works, installation, operation and maintenance of machinery and plants, and provision of logistics services.

7- Importing, marketing, installation, and maintenance of telecommunication and IT equipment.

12.3 Shareholding Structure

The following table sets out the ownership of shares and shareholders of the Company before and after the Offering:

Table (12.1): The shareholding structure of the Company before and after the Offering

Shareholders	Pre-Offering			Post-Offering		
	No. of Shares	Nominal Value (SAR)	Direct Ownership (%)	No. of Shares	Nominal Value (SAR)	Direct Ownership (%)
Ibrahim Abdullah Al Moammar	5,530,305	55,303,050	34.56%	3,871,212	38,712,120	24.20%
Khaled Abdullah Al Moammar	5,050,305	50,503,050	31.56%	3,535,213	35,352,130	22.10%
Ibtisam Suleiman Al-Nasser	68,800	688,000	0.43%	48,160	481,600	0.30%
Abdullah Khaled Al Moammar	68,800	688,000	0.43%	48,160	481,600	0.30%
Saud Khaled Al Moammar	68,800	688,000	0.43%	48,160	481,600	0.30%
Najlaa Khaled Al Moammar	68,800	688,000	0.43%	48,160	481,600	0.30%
Lawulua Khaled Al Moammar	68,800	688,000	0.43%	48,160	481,600	0.30%

Shareholders	Pre-Offering			Post-Offering		
	No. of Shares	Nominal Value (SAR)	Direct Ownership (%)	No. of Shares	Nominal Value (SAR)	Direct Ownership (%)
Al-Anoud Khaled Al Moammar	68,800	688,000	0.43%	48,160	481,600	0.30%
Dalal Khaled Al Moammar	68,800	688,000	0.43%	48,160	481,600	0.30%
Abdullah Muhammad Al Moammar	704,000	7,040,000	4.40%	492,800	4,928,000	3.08%
Khaled Mohammed Al Moammar	704,000	7,040,000	4.40%	492,800	4,928,000	3.08%
Fahd Mohammed Al Moammar	704,000	7,040,000	4.40%	492,800	4,928,000	3.08%
Abdul-Aziz Mohammed Al Moammar	704,000	7,040,000	4.40%	492,800	4,928,000	3.08%
Mansour Mohammed Al Moammar	704,000	7,040,000	4.40%	492,800	4,928,000	3.08%
Maha Ibrahim Al Khayyal	555,498	5,554,980	3.47%	388,848	3,888,480	2.43%
Huda Abdullah Al Moammar	98,758	987,580	0.62%	69,131	691,310	0.43%
Sarah Abdullah Al Moammar	98,758	987,580	0.62%	69,131	691,310	0.43%
Fatima Abdullah Al Moammar	98,758	987,580	0.62%	69,131	691,310	0.43%
Dalal Abdullah Al Moammar	98,758	987,580	0.62%	69,131	691,310	0.43%
Lamiaa Abdullah Al Moammar	98,758	987,580	0.62%	69,131	691,310	0.43%
Fahdah Muhammad Al Moammar	368,502	3,685,020	2.30%	257,952	2,579,520	1.61%
Public	N/A	N/A	N/A	4,800,000	48,000,000	30.00%
Total	**16,000,000**	**160,000,000**	**100%**	**16,000,000**	**160,000,000**	**100%**

Source: The Company

12.4 Associate companies

The Company also holds shares in several other companies. The following table shows the details and percentages of the Company's shareholding in other companies:

Table (12.2): associate companies

Name of associate company	Company's Share Capital	Country of incorporation	Direct interest	Direct interest	Remaining ownership
Edarat Co. for Communication and Information Technology (Edarat CIT)	SAR 500,000	The Kingdom	50%	-	Adel Fouad Rizk (16.660%) Ghassan Adel Alkhazen (16.680%) Erick Ernest Albadawi 16.660%)
Edarat Group SAL	USD 50,000	Republic of Lebanon	50%	-	Adel Fouad Rizk (16.667%) Ghassan Adel Alkhazen (16.666%) Erick Ernest Albadawi 16.667%)
Phoenicia Tech Worldwide Inc	LBP 67,500,000	BVI	50%	-	Adel Fouad Rizk (16.688%) Ghassan Adel Alkhazen (16.666%) Erick Ernest Albadawi 16.666%)

Source: The Company

12.5 Required licenses and approvals

The Company (including its branches) has obtained several regular and operating licenses and certificates from the competent authorities, which are to be periodically renewed. The Board members acknowledge that the Company has obtained all necessary operating licenses, except for the professional license related to the Company's contracting branch in Jeddah. The following tables illustrate the current licenses and certificates of the Company:

Table (12.3): Details of the commercial registration certificates of the Company

Location	Entity form	Commercial Registration No.	Registration Date	Expiry Date
Riyadh, Kingdom of Saudi Arabia	Closed joint stock Company	1010063470	10/01/1407H	08/05/1443H
Khobar, Kingdom of Saudi Arabia	Branch	2051011413	17/03/1407H	08/05/1443H
Jeddah, Kingdom of Saudi Arabia	Branch	4030097824	08/03/1414H	09/03/1444H
Riyadh, Kingdom of Saudi Arabia	Contracting branch	1010432047	12/06/1436H	12/06/1441H
Jeddah, Kingdom of Saudi Arabia	Contracting branch	4030288661	04/07/1437H	04/07/1442H

Source: The Company

Table (12.4): Summary of operating licenses obtained by the Company

Entity	Issuing Entity	Entity	License Type	License No.	Issue Date	Expiry Date
The Company	Riyadh Municipality	The Company	Municipality license	4189	28/11/1439H	28/11/1440H
The Company	Riyadh Municipality	The Company's Contracting Branch	Municipality license	10218	29/05/1439H	29/05/1440H
The Company	Jeddah Municipality	Company branch in Jeddah	Professional license	40011690536	02/02/1440H	02/02/1441H
The Company	Khobar Municipality	Company branch in Khobar	Municipality License	40021695029	02/04/1440H	04/02/1441H
The Company	MOMRA's Agency for Contractor Classification	The Company	Classification certificate	17839	25/11/1438H	25/11/1442H
The Company	MLSD	The Company	Saudization certificate	2000181125784	17/03/1440H	20/06/1440H
The Company	General Authority of Zakat and Tax (GAZT)	The Company	VAT Certificate	3000551475	30/11/1438H	-
The Company	MCI	The Company	Agency registration	14512	25/05/1435H	-
The Company	MCI	The Company	Agency registration	17429	25/11/1438H	20/10/1441H
The Company	MCI	The Company	Agency registration	17645	11/03/1439H	19/02/1441H
The Company	MCI	The Company	Agency registration	18111	28/10/1439H	24/07/1440H
The Company	GOSI	The Company	GOSI certificate	27395120	04/03/1440H	04/4/1440H
The Company	Riyadh Chamber Of Commerce	The Company	Certificate of registration with Chamber of Commerce	2519	03/07/1404H	08/05/1443H

Entity	Issuing Entity	Entity	License Type	License No.	Issue Date	Expiry Date
The Company	Jeddah Chamber of Commerce	The Company	Certificate of registration with Chamber of Commerce	237308	04/07/1439H	09/03/1444H
The Company	Riyadh Chamber Of Commerce	The Company's Contracting Branch	Certificate of registration with Chamber of Commerce	11000352376	21/07/1437H	12/06/1441H
The Company	Jeddah Chamber of Commerce	Company contracting branch in Jeddah	Certificate of registration with chamber of commerce	241091	04/07/1437H	04/07/1442H
The Company	General Authority of Zakat and Tax (GAZT)	The Company	Zakat Certificate	1020267090	15/08/1439H	25/08/1440H

Source: The Company

12.6 Summary of Company's Bylaws

Company Name

Al Moammar Information Systems Company.

Objectives of the Company

1- Importing and exporting.
2- Wholesale and retail trade in computers and electronic devices (installation, operation, and maintenance).
3- Wholesale and retail trade in, and maintenance of, electronic devices.
4- Electrical and electronic works (installation, operation, and maintenance of computers).
5- Communication technology (installation, operation, and maintenance).
6- Contracting activity in works of telecommunication networks and electronic installations, maintenance and operation of electrical installations, maintenance of telephone networks, general building contracting, works, installation, operation and maintenance of machinery and plants, and provision of logistics services.
7- Importing, marketing, installation and maintenance of telecommunication and IT equipment.
8- Implementation of contracts for the installation and operation of GIS, remote sensing, communications, training and associated technical support.

The Company operates in accordance with applicable laws and with the necessary licenses as issued from the competent authorities, where applicable.

Head Office of the Company

The Company's head office is located in Riyadh, and it may open branches, offices, or agencies inside or outside the Kingdom pursuant to a decision of the Company's Board of Directors.

Term of the Company

The term of the Company shall be ninety-nine (99) Gregorian years commencing from the date of issue of the resolution of the Minister of Commerce announcing the Company's conversion. The term of the Company may always be extended by a resolution issued by the Extraordinary General Assembly at least one (1) year prior to the expiration of its term.

Company's Share Capital:

The share capital of the Company is one hundred and sixty million Saudi Riyals (SAR 160,000,000) divided into sixteen million (16,000,000) Ordinary Shares with a nominal value of ten Saudi Riyals (SAR 10) per share.

Subscription to the Shares

The founders have subscribed to the Company's entire capital representing 16,000,000 fully paid Ordinary Shares. All cash amounts, paid from the capital, have been deposited.

Preferred Stock

The Company's Extraordinary General Assembly may, in accordance with the principles established by the competent authority, issue preferred shares, or transfer preferred shares to ordinary shares, without giving the preference shares the right to vote in the General Assemblies of the shareholders. These shares entitle their holders to the right to receive more than the ordinary shareholders of the net profits of the Company after what is reserved for statutory reserve.

Issuance of shares

The shares shall be nominal shares, and may not be issued at less than their nominal value. However, the shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added as a separate item in the shareholders' equity. They may not be distributed as dividends to the shareholders. A share shall be indivisible vis-à-vis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the Share, and they shall be jointly responsible for the obligations arising from the ownership of the Share.

Capital Increase

An Extraordinary General Assembly may resolve to increase the Company's capital, provided the paid capital shall have been paid up in full. It is not required that capital be paid in full where the unpaid part thereof relates to shares issued in return for converting debts or financing instruments into shares if the term prescribed for its conversion has not yet ended.

In all cases, the Extraordinary General Assembly may allocate any or some of issued shares to employees in the Company and its affiliates when the capital or part thereof increases. Shareholders may not exercise pre-emptive rights when the Company issues shares designated for employees.

Shareholders who own shares at the time of the decision by the Extraordinary General Assembly approving a capital increase shall have the priority right to subscribe in the new shares issued for monetary interests. Such shareholders shall be informed, through an announcement published in a daily newspaper or informed through the registered mail, of their priority, the decision to increase capital, and the terms, duration, and start and expiry dates of such subscription.

The Extraordinary General Assembly shall be entitled to suspend priority rights enjoyed by the shareholders in the subscription, in order to facilitate capital increases in exchange for cash shares, or, to give priority to non-shareholders in such cases as it deems appropriate for the benefit of the Company.

The shareholder in question may sell or waive priority rights from the date of General Assembly approval for a capital increase until the last day of subscription for the new shares associated to these rights, in accordance with measures imposed by the competent authorities.

Subject to the aforementioned provisions, the new shares shall be distributed to the holders of priority rights applying for subscription in proportion to their priority rights of the total priority rights arising from the capital increase, provided that what they obtain shall not exceed what they requested from the new shares. The remainder of the new shares shall be distributed to the holders of priority rights who requested more than their shares, in proportion to their priority rights of the total priority rights arising from the capital increase, provided that what they obtain shall not exceed what they were requesting from the new shares. Unless otherwise decided by the Extraordinary General Assembly, the remainder of the shares shall be offered to others.

Capital Decrease

Capital may be decreased by a decision of the Extraordinary General Assembly if it exceeds the Company's need or if the Company suffers losses. Only in the latter case may capital be decreased to less than the limit stipulated in Article (54) of the Companies Law. Such resolution shall be issued only after receiving a special report prepared by the Auditor containing the reasons for such reduction, the obligations to be fulfilled by the Company, and the effect of the reduction on such obligations.

Company's Management

The Board of Directors of the Company comprises five (5) members nominated by the Ordinary General Assembly for a term not exceeding three years.

Expiry of Board Membership

Membership of the Board of Directors shall be terminated upon the expiry of the Board's term or upon the termination of that Board member's membership in accordance with any applicable law in the Kingdom. The Ordinary General Assembly also has the right to dismiss all (or some) of the Board members at any time, without prejudice to the right of the dismissed Board member to claim compensation from the Company if the dismissal occurs for an unacceptable reason or at an inappropriate time. The Board member may retire, provided that this be in a timely manner, otherwise he/she shall be responsible to the Company for the damages resulting from his/her retirement.

Board Vacancy

Where the position of a Board member becomes vacant, the Board may appoint a temporary Board member with the adequate experience necessary to fill the vacancy. The relevant Ministry and Authority shall be informed whether the Company is listed on the Saudi Stock Exchange (Tadawul) within five business days from the appointment date, provided that such an appointment shall take place before the first General Assembly unless otherwise prescribed by the Company's Bylaws. The new Board member shall complete the unexpired term of his predecessor, where applicable If the number of Board members falls below the minimum number prescribed in the Company's Bylaws or its Articles of Association, the Ordinary General Assembly must be convened within 60 days to elect the required number of Board members.

Powers of the Board

Without prejudice to the powers conferred by the General Assembly, the Board of Directors shall be vested with the widest powers to manage the Company and supervise its affairs inside and outside the Kingdom. It may, for example, represent the Company in its relations with third parties, governmental and private bodies, police departments, Chambers of Commerce and Industry, and companies and institutions of all kinds; enter into tenders and auctions; award contracts; receive and pay; receive rights from others; and issue and request the amendment of title deeds and measurements provided therein. The Board may also open branches of the Company, sign all types of contracts, deeds, and documents, including for example, the articles of association of the companies in which the Company holds shares and any amendments and appendices thereto as well as all shareholders' resolutions in such companies (including those relating to the increase of capital; purchase and assign shares; authenticate contracts and sign before the General Department of Companies at the MCI and before the notary public; amend, change, make additions to, cancel, issue, renew, and collect commercial registration certificates; change the names of companies; execute contracts and deeds before the notary public and governmental authorities; conclude loan agreements, guarantees, and corporate guarantees; waive the priority of the debts due to the Company; issue official powers of attorney in the name of the Company; sell, purchase, evacuate, and accept real estate and lands; and purchase and sell shares, stocks, and movable and fixed assets to guarantee loans obtained by the Company and subsidiaries under the following conditions:

1- The Board shall specify in its resolution the justification for such an action.
2- The sale value is for an equivalent value.
3- The payment for such a transaction is not deferred except in certain cases and with sufficient guarantees.
4- This shall not adversely affect the Company's business.

The Board of Directors may also receive payments in any manner it deems appropriate; receive and handover; lease; receive and pay; open accounts and credits and extend the same; withdraw from and deposit in banks; obtain loans from banks; issue any banking guarantee; sign all papers, documents, checks, and all banking transactions; invest the Company's funds in local and international markets within or outside the Kingdom; disburse remuneration; appoint and dismiss auditors, public accountants, employees, and workers; request visas; recruit manpower from abroad; sign employment contracts; determine employees' salaries; request issuance of residence authorization cards (Iqamas); and transfer and waive sponsorships.

The Board of Directors shall also have the right to conclude and obtain loans from government funds and financial institutions, regardless of the tenor thereof. It may also conclude and obtain commercial loans according to work requirements, subject to the following conditions:

1- The Board of Directors must specify in its decision the way the loan should be spent and how to pay it.
2- The Board of Directors must take into consideration the loan's conditions and any guarantees so as not to harm the Company, its shareholders, and the creditors' general guarantees.
3- Discharge shall be a right to be exercised only by the Board of Directors and shall not be delegated to any person.

The Board of Directors may, within limits of its authorities, delegate one or more of its members or others to carry out specific assignment(s) or some or all of the Board's powers.

Remuneration of the Board of Directors

Remuneration of the Board of Directors, if any, shall be composed of a certain amount to be estimated by the Ordinary General Assembly, provided that the total amount of remuneration in relation to a Board member shall not exceed five hundred thousand (500,000) Saudi Arabian Riyals annually and shall also be within the limits set by the Company's Bylaws and its regulations. In addition, the Board of Directors' report to the Ordinary General Assembly shall include a comprehensive statement that contains all remunerations, allowances, expenses, and other privileges received by the Board members during the fiscal year. It shall also include a statement of what is received by the Board members as employees or administrators or what they have received in return for technical, administrative or consultative works. It shall also include a statement of the number of sessions of the Board and the number of sessions attended by each Board member from the date of the last meeting for the General Assembly.

Meetings of the Board of Directors

The Board of Directors shall be convened no less than four times per year upon written invitation by the Chairman. This invitation, together with a meeting agenda, shall be delivered by mail, fax, or email not less than a week prior to the date set for such meeting. The Chairman shall call a meeting of the Board of Directors if so requested, in writing, by any two Board members. Board meetings may be held by telephone or by any other electronic means allowing all non-present Board members to be heard by all other Board members. Any Board member attending the meeting via telephone or by other electronic means shall be deemed to have been present throughout the duration of the meeting.

The General Assembly may, on the recommendation of the Board, terminate the membership of Board members who fail to attend three consecutive meetings of the Board without a legitimate excuse. Such Board members shall receive no payment in respect of the period between the last meeting they attended and such termination date, and shall return the entire remuneration paid to him in respect of that period.

Quorum for the Board Meeting

The Board meeting shall not be valid unless attended by at least three Board members in person, provided that the total number of attendees is not less than three members. In the event that a Board member assigns proxy to another member to attend the Board meetings on his/her behalf, this proxy shall be given accordance with the following:

1- A Board member may not represent more than one Board member at any one meeting.
2- A proxy shall be appointed in writing and for a specific meeting.
3- A Board member acting by proxy may not vote on resolutions on which his principal is prohibited from voting under the law.

Board Resolutions

1- Resolutions of the Board shall be adopted by majority vote of the present Board members meeting the quorum, or by the votes of at least two Board members represented at the meeting. In the event of a tie, the Chairman shall have the casting vote.

Issuing Sukuk and Bonds

The Company may not issue debts or financing instruments convertible into shares unless such a decision is made by the Extraordinary General Assembly. Under such a decision, the maximum number of shares which may be issued in return for such instruments shall be determined. In addition, they shall be negotiable within and outside the Kingdom of Saudi Arabia in accordance with applicable laws, regulations, and bylaws whether they were issued at the same time, in a series of issuances, or in one or more programs designated for issuing debts or financing instruments. The General Assembly may delegate to the Board of Directors –or even a Board member obtaining new approval from the Assembly –the authority to issue new shares in return for such instruments or Sukuk whose holders demand that they be converted immediately after the termination of conversion request period for such instrument or Sukuk holders.

Conflict of Interest

Except with the permission of the Ordinary General Assembly, a Board member may not have any direct or indirect interest in the transactions or contracts made on behalf of the Company's account. A Board member shall notify the Board of Directors of any personal interest he/she may have in the business and contracts made on the Company's account. Such notification shall be entered in the minutes of the Board meeting. A Board member who is an interested party shall not be entitled to vote on the resolution to be adopted in this regard, both in the Board of Directors' and Shareholders 'assemblies. The Chairman shall notify the General Assembly, when convened, of the activities and contracts in which a Board member may have a direct or indirect personal interest; such notification must be accompanied by a special report prepared by the Company's external Auditor. Where a Board member fails to disclose his/her interest referred to in this Article, the Company or any interested party may claim before the competent judicial authority for nullification of the contract or requiring the Board member to repay any arising profit or interest.

A Board member shall not, without the prior authorization of the ordinary General Assembly, have his/her membership renewed annually, or participate in any activity which may likely compete with the activities of the Company.

Shareholders Assemblies

Each shareholder regardless of the number of his shares has the right to attend the Constituent Assembly, and each shareholder shall have the right to attend the Shareholders' General Assemblies. The subscriber may appoint another person who is not a Board member or a Company's employee to attend the General Assembly on his behalf.

Constituent Assembly

The founders shall invite all subscribers to convene a Constituent Assembly within forty-five days starting from the date of the MCI's decision to license the establishment of the Company. The meeting must be attended by a number of subscribers representing at least half of the capital. If such quorum is not available, a second meeting shall be held one hour after the expiry of the determined period to hold the first meeting, provided that this shall be prescribed by the invitation of the first meeting. If such invitation does not refer to the second meeting, an invitation shall be served for a second meeting to be held at least 15 days after this invitation is given out.

Ordinary General Assembly

Except for matters falling within the jurisdiction of the Extraordinary General Assembly, an Ordinary General Assembly shall be competent to deal with all other matters related to the Company and shall be convened at least once a year during the first 6 months following the end of the Company's fiscal year. Other Ordinary General Assembly meetings may be called where necessary.

Extraordinary General Assembly

An Extraordinary General Assembly of shareholders shall be competent to amend the provisions of the Bylaws of the Company, other than those matters whose amendment is prohibited by law. Furthermore, an Extraordinary General Assembly shall be empowered to adopt resolutions in matters within the jurisdiction of the Ordinary General Assembly under the same conditions and manners as prescribed for the latter.

If a resolution adopted by the General Assembly entails the amendment of the rights of a certain class of shareholders, such resolution shall not be valid unless it is approved by those entitled to vote from among the shareholders of that class, at a special meeting of such shareholders convened in accordance with the rules prescribed for the Extraordinary General Assembly.

Call for Assemblies

The General and Special Assemblies shall be held for the shareholders by invitation of the Board of Directors and in accordance with the Companies Law and its Implementing Regulations. The Board shall call for the Ordinary General Assembly to convene if requested by the Auditor, Audit Committee, or a number of shareholders that represent at least 5% (five percent) of the capital. The Auditor may call for the Assembly to convene if the Board does not call for the Assembly within thirty days starting from the date of the Auditor's request.

The invitation to the General Assembly should be published in a daily newspaper that is distributed in the city where the Company's head office is located at least twenty one (21) days prior to the meeting date. The invitation shall include the agenda and a notice, which may alternatively be sent by registered mail within the period specified in this paragraph. The invitation shall include the agenda of the meeting and a copy of the notice and the former shall be sent, within the period set for publication, to MCI and CMA.

Record of Attendance

When a General Assembly convenes, a list shall be prepared of the names and addresses of the Shareholders present or represented therein, showing the number of shares held by each Shareholder, whether personally or by proxy, and the number of votes allotted to each. Any interested party shall be entitled to examine this list.

Quorum of the Ordinary General Assembly Meeting

The Ordinary General Assembly shall be valid only if attended by shareholders representing at least fifty percent (50%) of the Company's capital. If such a quorum cannot be attained, a second meeting may be held one hour after the end of the period specified for the first meeting. The invitation to the first meeting shall maintain the possibility of holding a second one. If the invitation does not refer to the second meeting, a notice shall be sent for a second meeting to be held within thirty days following the previous meeting and the notice shall be sent in the manner prescribed by Article 33 of the Company's Bylaws. In all cases, the second meeting shall be valid regardless of the number of shares represented therein.

Quorum of the Extraordinary General Assembly Meeting

The Extraordinary General Assembly shall be valid only if attended by shareholders representing at least two-thirds of the Company's capital. If such a quorum cannot be attained in the first meeting, the second meeting may be held one hour after the end of the period specified for the first meeting. The invitation to the first meeting shall maintain the possibility of holding a second one. If the invitation does not refer to the second meeting, a notice shall be sent for a second meeting held in the manner prescribed by Article 33 of Company's Bylaws.

In all cases, the second meeting shall be valid if attended by a number of shareholders representing at least one quarter of the Company's share capital.

If this quorum is not attained to convene a second meeting, a notice shall be sent for a third meeting to be held in the same manner provided for in Article (33) of that law. The third meeting shall be valid regardless of the number of shares represented therein, after the competent authority's approval.

Voting at Assemblies

Each Shareholder shall have a one vote per Share represented by him in the Constituent General Assembly meeting. Votes at the meetings of the Ordinary General Assembly and the Extraordinary General Assembly shall be calculated based on one vote per share. Cumulative voting shall be used when electing the Board of Directors. Board members may not participate in voting on the General Assembly's resolutions when they pertain to the termination of their membership.

The Company shall allow shareholders to vote online on Assembly (public or private) agenda items in the event of absence either before or during the meetings and without the need to appoint a proxy. Online appointment of shareholders shall start after the date of publication of the invitation to the Assembly and not less than 3 days before the Assembly is convened, and be suspended upon finalizing the discussion on this matter*.

**This will be amended in compliance with the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies mentioned in Part 3 of the regulations of the first General Assembly convened by the Company following CMA's approval and before listing.*

Assembly Decisions

Resolutions of the Constituent Assembly shall be adopted by an absolute majority (i.e., more than 50%) of the shares represented at the meeting. Resolutions of the Ordinary General Assembly shall be adopted by an absolute majority of the shares represented in such meeting. Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two-thirds of the shares represented at such meeting. However, if the resolution to be adopted is related to a capital increase or decrease, extension of the Company's term, dissolution of the Company prior to the expiry of the period specified under the Company's Bylaws, or the merger of the Company with another Company, then such resolution shall be valid only if adopted by a majority of three-quarters of the shares represented at the meeting.

Agenda and Assembly Deliberations

Each shareholder shall have the right to discuss the subjects listed in the General Assembly's agenda and to direct questions in respect thereof to the Board of Directors and the Auditor. The Board or the Auditor shall answer the Shareholders' questions in a manner that does not prejudice the Company's interest. If a shareholder deems the answer to the question unsatisfactory, then he/she may refer the issue to the General Assembly and its decision in this regard shall be conclusive and binding.

Chairing the Assemblies and Preparing Minutes

General Assembly Meetings shall be chaired by the Chairman or, in his absence, by his deputy from among the members of the Board of Directors or a member delegated by the Board. The Chairman** shall appoint a Secretary for the meeting and a tallyman. Minutes shall be written for the meeting which shall include the number of the Shareholders present in person or represented by proxy, the number of the shares held by each, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions, and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the secretary, and the canvasser.

*** This Article will be updated so as to extend the authority to the shareholders in the first General Assembly held by the Company following CMA's approval and before listing.*

Audit Committee

The Audit Committee shall be formed by a resolution of the Company's Ordinary General Assembly. The resolution shall determine the number of its members, provided that the number of members shall not be less than three and not more than five members. The resolution shall also specify the rules and procedures of its work, rules of composition, functions and the remuneration of its members. .

The Auditor

The Company shall have one or more Auditors from among those licensed to operate in the Kingdom. They shall be appointed annually by the Ordinary General Assembly, which shall specify their remunerations. It may re-appoint Auditors provided that the whole term of office shall not exceed five consecutive years. An Auditor who has exceeded five consecutive years in that role shall only be eligible for reappointment after an interval of two years. It may at any time remove them, without prejudice to their right to compensation if the removal is made at an improper time or without acceptable justification.

The Auditor shall at all times have access to the Company's books, records, and other documents. He shall be entitled to request such details and clarifications as he may deem necessary to obtain, and to verify the Company's assets, liabilities, and others that are within the scope of his work. The Auditors shall submit to the annual General Assembly a report demonstrating how the Company enabled them to obtain the information and clarifications they have requested, any violations of the Companies' Regulations and the Company's Bylaws, and their opinion as to whether the Company's accounts conform to the facts. The Chairman of the Board shall enable the Auditor to perform his/her duties. If the Auditor faces any challenges in this regard, he/she may submit a report to the Board. If the Board does not facilitate the work of the Auditor, he/she shall request the Board to invite the Ordinary General Assembly to consider the matter.

Financial Year

The Company's financial year shall begin on 1 January and end on 31 December of each calendar year, provided that the first financial year shall start on the date of its registration in the commercial register and shall end on 31 December of the following calendar year.

Financial Documents

The Board of Directors shall prepare a report on its activity and financial position for the previous financial year. This report shall ensure the proposed method of dividend distribution. The Board of Directors shall place such documents at the disposal of the Auditor at least 45 (forty-five) days prior to the date set for convening the General Assembly.

The Company's Chairman shall sign the documents referred to in Paragraph (1) of this Article, and copies thereof shall be deposited in the Company's headquarters for the disposal of the shareholders at least forty-five (45) days before holding the General Assembly meeting.

The Chairman of the Board shall provide the shareholders with the Company's financial statements, report of the Board, and report of the Auditor, unless published in a daily newspaper distributed at the Company's headquarters. He/she shall also send a copy of these documents to MCI and CMA at least fifteen (15) days before the date of the General Assembly meeting.

Dividend Distribution

The Company's annual net profits shall be distributed as follows:

- 10% of the net profit shall be set aside to form a statutory reserve. Such allocations to the statutory reserve may be discontinued by the Ordinary General Assembly when the statutory reserve amounts to 30% of the Company's share capital.
- The Ordinary General Assembly may, at the request of the Board, set aside 30% of the net profits to build up an additional reserve.
- The Ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the shareholders.

- The said assembly may also withhold certain amounts from the net profits for the creation of social organizations for the Company's employees and workers, or for supporting such organizations if already in existence.
- Out of the balance of the net profits, shareholders shall be receive a payment amounting to 5% of the Company's paid-up capital.

The Company may distribute dividends on a quarterly or semi-annual basis in accordance with the rules approved by the competent authority.

Disputes

Each shareholder shall have the right to file suits, vested in the Company, against the members of the Board if they have committed an act which has caused some particular damage to such a shareholder, provided that the Company's right to file such an action shall still be valid. The shareholder shall notify the Company of his/its intention to file this action.

The Company's Losses

If the losses of the Company reach half of its paid-up capital at any time during the fiscal year, any official of the Company or the Auditor shall immediately inform the Chairman of the Board of Directors and the Chairman shall notify the Board members immediately upon becoming aware of the issue. The Board shall, within fifteen (15) days notice from the Chairman, invite the Extraordinary General Assembly to convene within forty-five (45) days from the date of becoming aware of such losses to decide either to increase or reduce the capital of the Company in accordance with the provisions of the Companies Law to the extent that the loss ratio falls below half of the paid capital, or dissolve the Company before the term specified in its Bylaws.

The Company shall, by law, be deemed dissolved if the Extraordinary General Assembly meeting is not held within the defined term specified in this Article, if the meeting is held but fails to reach a resolution on such an issue, or if the meeting resolved to increase the Company's capital in accordance with the conditions stipulated in this Article and the increase was not fully subscribed for within ninety (90) days from this decision.

Dissolution and Liquidation of the Company

Upon its expiry, the Company shall enter into liquidation while retaining its legal personality to the extent required. The decision for voluntary liquidation shall be issued by the Extraordinary General Assembly and must include the appointment of a liquidator, as well as specify his powers, fees, restrictions on his powers, and the period required for the liquidation process. The period of voluntary liquidation shall not exceed five years and may not be extended unless under judicial order. The powers of the Board of Directors shall expire upon the dissolution of the Company. However, they shall continue to manage the Company and shall be deemed by third parties as liquidators until a liquidator has been appointed. The Shareholders' General Assembly shall, during the liquidation period, continue to exercise its powers to the extent that they do not interfere with the powers of the liquidator.

12.7 Material Agreements

The Company has entered into a number of material agreements for business purposes. Below is a summary of the agreements that the Company considers material or significant or which may affect the decision of the subscribers to invest in the Offer Shares. The Company believes that all of these agreements, including their significant terms and conditions, have been included in this section, and there are no other material agreements in connection with the Company's business that have not been disclosed; in addition, the Company will not violate any of the terms and conditions of such agreements. For further details on financing agreements, lease agreements, and insurance policies, please see Sections 12.8 ("Financing Agreements"), 12.11 ("Real Estate Leased by the Company"), and 12.14 ("Insurance Policies").

(A)Agreements with key suppliers

Agreement for software use and distribution with Oracle Systems Ltd. (Oracle).

The Company entered into an agreement with Oracle on 26/07/2017G, whereby Oracle granted the Company a non-exclusive and non-transferable right to distribute software and / or services (including the first year of technical support) to end users whenever they request the Company. Annexes to the agreement have been concluded to grant the Company a non-exclusive and non-transferable right to distribute software and / or services to public end users. Under this agreement, the Company may only distribute Oracle software to end users when the Company provides value-added services (customer requirement analysis services, requirement applications to the system, and technical support). The Company has the right to use Oracle trademarks, even for the purpose of marketing and selling products. The term of the agreement is two years, ending on 02/07/2019G. Upon the expiry of the agreement, the Company shall enter into an updated version of the distribution agreement which will be subject to the approval of Oracle (including the right of Oracle, at its discretion, to require the Company to complete training or evaluation courses). The Company shall be entitled to compensation by Oracle in the event of any third party claim against the Company (or end user), alleging infringement of intellectual property arising from the distribution or use of Oracle's services or products. Oracle may claim compensation from the Company if such claims resulting from modifications by the Company to the software or products provided by Oracle. Oracle's liability for any losses that may be incurred by the Company under this agreement (i.e. contractual or non-contractual) is limited to the amount of fees paid by the Company to Oracle pursuant to this agreement or under the concerned order. Either party may terminate the agreement if the other party commits a material breach and fails to remedy the same within thirty (30) days of receipt of notice such breach. This agreement is governed by the applicable laws in England.

A partnership agreement for system integration solutions and services with Cisco Systems International Limited (Cisco)

The Company entered into an agreement with Cisco on 17/05/2005G regarding the purchase and / or licensing of Cisco products and services, either directly or through an authorized agent, for the purpose of reselling the products and / or services to end users within the Kingdom only (or for the Company's internal use). The current term of the agreement will expire on 23/01/2020G. In addition, the Company may provide value-added services (including network design services, technical support, and ancillary products or services) to its customers as part of the integrated solutions it provides to its customers. The Company has the right to use Cisco trademarks to market and sell products and receives discounts from the retail price based on the quantity of its sales and the Company's valuation level. The Company is entitled to resell the Cisco products at the price it deems appropriate (in addition to any assistance that Cisco may provide in the event of sale of a product at a price below the retail price). The Company must pay product maintenance fees (which may be returned to the Company in certain cases). The term of the agreement shall be one year, renewable for similar periods upon notice by Cisco. Either party may terminate the agreement for any reason by written notice within forty-five (45) days. This agreement is governed by the applicable laws in England.

Certified partner agreements with Hewlett Packard BV and Hewlett Packard Enterprise (collectively referred to as "HP")

The Company entered into an agreement with Hewlett Packard BV on 20/07/2010G, and another with Hewlett Packard Enterprise on 15/08/2017G. The Company has been designated as a non-exclusive certified partner for the purpose of purchasing and selling equipment, software, ancillary parts, spare parts, equipment, and updates within the Kingdom solely under purchase orders submitted by the Company. The agreement with Hewlett Packard BV shall remain in effect unless terminated by either party upon a 30-day written notice if sent by the Company or a 60-day written notice if sent by Hewlett Packard Europe BV. The agreement with Hewlett Packard Enterprise expires on 31/12/2018G. The Company has the right to use Hewlett Packard trademarks to market and sell the products. The Company shall be entitled to a compensation by HP in the event of any third party claim against the Company (or end user), alleging infringement of intellectual property arising from the distribution or use of HP's services or products. HP may claim compensation from the Company if such claims result from modifications by the Company to the software or products provided by HP. HP's liability for any losses that may be incurred by the Company under these agreements (i.e. contractual or non-contractual) is limited to one million dollars (US $1,000,000) per incident (excluding any intellectual property infringement claim). The agreements may be terminated for any reason by HP via written notice to the Company within a period of no less than sixty (60) days, or by the Company by written notice to HP within a period of no less than thirty (30) days. The agreement with Hewlett Packard BV is be governed by the applicable laws in Switzerland and any disputes arising out thereof shall be referred to arbitration before the Swiss Chamber of Commerce. The agreement with Hewlett Packard Enterprise is governed by the applicable laws in Saudi Arabia.

Certified Partner Agreement with BMC

The Company entered into an agreement with BMC on 16/06/2009G whereby the Company shall have the right to market and sell the services and products provided by BMC to end users: software, educational and support services. The Company is also entitled to provide solution and support services regarding BMC products and use BMC trademarks for the purpose of marketing and selling BMC products. The term of the agreement is three years from the date it is concluded. This agreement can be regularly extended by BMC, with the last extension granted by an amendment letter dated 05/06/2018G. The term of the agreement was extended to 30/06/2021G. BMC is, in accordance with the agreement, be entitled to a compensation against any claims, losses, or costs in the event the Company breaches or violates any of the terms of this agreement, or if the Company violates the terms of its license to use, distribute, and sell BMC software and products, or in case the Company violates laws or regulations applicable thereto as a result of the conclusion of this agreement (and this right guarantees any costs incurred). BMC may terminate the agreement if the Company has committed a material breach and failed to remedy the same within fifteen (15) days of such material defect being notified or at any other time by written notice to be served within a period of not less than thirty (30) days. This agreement is governed by the applicable laws in Texas, United States of America, and any disputes arising therefrom shall be referred to arbitration in New York City which shall be subject to the laws of the American Arbitration Association (AAA).

Transactions Based on Purchase Orders

The Company deals with a number of its suppliers on the basis of purchase orders (including StarLink, a major supplier of the Company). The Company sends a purchase order to its suppliers using its own purchase order form. The Company is be entitled to pay the amount due under the relevant purchase order within forty-five (45) to ninety (90) days. Each purchase order shall specify the terms and delivery period of that order. In the event of any delay in receipt of the order, the Company shall be entitled to impose a fine of 5% of the order's total value for each week of delay, provided that the value of the fine shall not exceed 20% of the total value of the order. These orders are subject to the laws of the Kingdom.

(B) Material Relationships and Agreements with Government and Semi-Government Customers

Business Relationship with Saudi Arabian Oil Company (Aramco)

The Company is a qualified contractor for Aramco. Under this qualification, the Company is entitled to participate in of the Aramco bidding and tender process. As at the date of this Prospectus, the value of existing agreements between the Company and Aramco stands at SAR 149,156,624. The Company is required to comply with Aramco's internal tendering system when dealing with Aramco. By participating in tenders, the Company, if successful, provides products and services to Aramco on the basis of purchase orders. Under Aramco's purchase order model, the Company is required to comply with Aramco's supplier rules of conduct and the purchase terms of electronic commerce. Payment is due after receipt of the goods and approved invoice (or upon electronic endorsement) and the payment period is determined for each purchase order on a case-by-case basis. Aramco may also cancel any purchase order by written notice to be served within thirty (30) days or immediately if there is a material defect. These purchase orders are subject to the applicable laws of the Kingdom.

Operation and Maintenance Contract with the Holy Capital Municipality (Makkah Municipality)

The Company concluded this agreement with the Makkah Municipality on 02/12/2015G regarding the implementation of operation and maintenance of computers and GIS in Makkah Municipality. The contract has been concluded on the terms of the model operation and maintenance contract specified under the Government Tenders and Procurement Law (issued by Royal Decree No. M/58 dated 04/09/1427H). The value of this contract is an amount of SAR 78,000,000 payable on a periodic basis of at least one invoice per month. The term of the contract is 36 months. The contract term was increased by one hundred and ten (110) days (with a value of SAR 7,478,651.68) by a letter provided by Makkah Municipality on 25/10/1439H. Consequently, the contract is to terminate on the end of the 110-day period. Makkah Municipality may increase the Company's obligations by no more than ten percent (10%) of the total value of the Company's obligations and may reduce the same by no more than twenty percent (20%) of the total value of the Company's obligations. Makkah Municipality may withdraw the work from the Company and take over the site where:

1- The Company delays in commencing the work, defaults in its performance, slows progress, or stops its work to the extent that Makkah Municipality believes that it cannot be completed according to the work schedule.
2- The Company withdraws from, leaves, or subcontracts the work to another party without the prior permission of Makkah Municipality.
3- The Company breaches a term of the contract or refuses to implement any of its contractual obligations and does not remedy these issues within fifteen (15) days from the date it has been requested to do so.
4- The Company gives, or causes to be given, any gift, advance, reward, or promise to provide the same to any government employee or officers or any other person related to the contracted work.
5- The Company is subject to bankruptcy or insolvency.

The contract is governed by the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the Board of Grievances.

Operation and Maintenance Contract with MOMRA

The Company has entered into four contracts with the Ministry of Municipal and Rural Affairs ("**MOMRA**)" with regard to the implementation of projects for intermediate structure development, supply of software products and licenses, and provision of maintenance services. These contracts have been concluded on the terms of the model contracts specified under the Government Tenders and Procurement Law (issued by Royal Decree No. M/58 dated 04/09/1427H). The value of those contracts is SAR 241.332.983 payable on a periodic basis of at least one invoice per month. The term of these contracts ranges from six (6) months to forty-two (42) months. During the execution of the contract, MOMRA may increase the volume of business and services by no more than ten percent (10%) of the total value of the Company's obligations and may reduce the same by no more than twenty percent (20%) of the total value of the Company's obligations. MOMRA may withdraw the work from the Company and take over the site where:

1- The Company delays in commencing the work, defaults in its performance, slows progress, or stops its work to the extent that MOMRA believes that it cannot be completed according to the work schedule.
2- The Company withdraws from, leaves, or subcontracts the work to another party without the prior permission of MOMRA.
3- The Company breaches a term of the contract or refuses to implement any of its contractual obligations and does not remedy these issues within fifteen (15) days from the date it has been requested to do so.
4- The Company gives, or cause to be given, any gift, advance, reward, or promise to provide the same to any government employee or officers or any other person related to the contracted work.
5- The Company is subject to bankruptcy or insolvency.

These contracts shall be governed by the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the Board of Grievances.

Operation and Maintenance Contract with Al-Imam Muhammad Ibn Saud Islamic University

The Company has concluded two contracts with Al-Imam Muhammad Ibn Saud Islamic University (the "**University**") regarding the supply of software products and licenses and provision of maintenance services. These contracts have been concluded on the terms of the model contracts specified under the Government Tenders and Procurement Law (issued by Royal Decree No. M/58 dated 04/09/1427H). The value of these contracts is SAR 59,499,976 payable on a periodic basis of at least one invoice per month. The term of these contracts ranges from six (6) months to forty-two (42) months. During the execution of the contract, the University may increase the volume of business and services by no more than ten percent (10%) of the total value of the Company's obligations and may reduce the same by no more than twenty percent (20%) of the total value of the Company's obligations. The University may withdraw the work from the Company and takeover the site where:

1- The Company delays in commencing the work, defaults in its performance, slows progress, or stops its work to the extent that the University believes that it cannot be completed according to the work schedule.
2- The Company withdraws from, leaves, or subcontracts the work to another party without the prior permission of the University.
3- The Company breaches a term of the contract or refuses to implement any of its contractual obligations and does not remedy these issues within fifteen (15) days from the date it has been requested to do so.
4- The Company gives, or cause to be given, any gift, advance, reward, or promise to provide the same to any government employee or officers or any other person related to the contracted work.
5- The Company is subject to bankruptcy or insolvency.

These contracts are governed by the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the Board of Grievances.

Business Relationship with Saudi Telecom Company ("STC")

The Company has entered into eight (8) agreements based on similar terms with STC. The term of these agreements ranges from twelve (12) months to thirty-six (36) months, and they relate to the supply of products (including hardware, software, equipment, and systems) and provision of installation, consolidation, testing, maintenance, and technical support services for such products. As of the date of this Prospectus, the value of the agreements between the Company and STC is SAR 45,493,090 (see Section 4.8.3 ("**Customers**") of this Prospectus for further details on the value of the business between the Company and STC). The value of invoices issued by the Company shall be paid after delivery and acceptance of the required products or within a period of forty-five (45) to sixty (60) days from the date a claim is provided by the Company with regard to services provided under the agreements. STC shall be entitled to impose on the Company a fine (to be payable immediately) if the Company delays in fulfilling or fails to fulfil any of its obligations or achieve the required performance levels under the agreement, provided that the total value of such fines shall not exceed ten percent (10%) of the total value. STC shall be entitled to terminate certain agreements by fifteen (15) days' notice if the amount of the imposed fines exceeds ten percent (10%) of the total value of the agreement. STC shall have the right to terminate the contract at its discretion and option at any time by thirty (30) days prior written notice. STC shall be also entitled to terminate the agreements immediately by notice to be provided to the Company in the event: (1) the Company has committed a material breach (including a series of minor violations which, if taken together, are deemed material), (2) it has given (or attempted to give) any gift, loan, bonus, or advantage of any kind to any manager or employee of the STC or a public servant with respect to the implementation of the agreement, and (3) the Company goes into bankruptcy or is liquidated. The Company is not permitted to assign the agreements (in whole or in part) or subcontract without any of its obligations under the agreement obtaining the prior written consent of the STC. Such agreements shall be subject to the applicable laws of the Kingdom and any disputes arising out of the implementation of the agreement shall be referred to the competent judicial authority in Riyadh in the event that no amicable settlement is reached within sixty (60) days.

Business Relationship with Advanced Electronics Company (AEC)

The Company has entered into several agreements (and there is only one on-going agreement with AEC as at the date of this prospectus for a four year term) on similar terms with the Advanced Electronics Company. The Company was thereby appointed as a subcontractor for the execution of government contracts awarded to AEC. The Company shall make and provide testing, maintenance, and technical support for these government projects. As of the date of this Prospectus, the value of the agreements between the Company and the AEC is SAR 72,000,000 (see Section 4.8.3 ("Customers") of this Prospectus for further details on the value of the business between the Company and Advanced Electronics Company). The invoices issued by the Company and approved by the employer for the main contract shall be paid within thirty (30) to forty (40) days from the date such invoices are paid by the employer to AEC. AEC shall have the right to impose a fine on the Company in case of delay or failure to fulfil any of its obligations or achieve the required performance levels under the agreement provided that the total value of such fines shall not exceed ten percent (10%) of the total value of the agreement. AEC shall have the right to terminate the contract at its discretion and option at any time by prior written notice. AEC shall be also entitled to terminate the agreements immediately by notice to be provided to the Company in the event: (1) the Company has committed a material breach, (2) it has given (or attempted to give) any gift, loan, bonus, or advantage of any kind to any manager or employee of AEC or a public servant with respect to the implementation of the agreement, and (3) the Company goes into bankruptcy or is liquidated. The Company shall indemnify AEC and the Employer for any losses they may incur (whether directly or indirectly) as a result of any failure by the Company to implement the agreement. The Company shall not waive the agreements (in whole or in part) or subcontract the implementation of any and all the agreement terms without the prior written consent of AEC. Such agreements shall be subject to the applicable laws of the Kingdom and any disputes arising out of the implementation of the agreement shall be referred to arbitration in Riyadh in the event that no amicable settlement is reached within sixty (60) days.

(C)Agreements and Material Relationships with Private Sector Customers

Business Relationships Based on Purchase Orders

The Company deals with Arab National Bank and Al Rajhi Bank on the basis of purchase orders pursuant to which the Company is required to provide licenses for programs, products, and services by customers. The value of the commercial relationship between 2015G and 30/06/2018G is SAR 54,975,053. Where purchase orders relate to software licenses and value added services, the purchase order shall include the terms in the relevant license document (whose terms may vary depending on products and suppliers). This license document is concluded between the end user and the licensor (or its representative) and the license document may be subject to different jurisdictions. Half of the amounts payable under these orders shall be paid in advance and the remaining amounts shall be paid upon receipt of the products. Under some purchase orders, amounts due have a thirty day payment term.

(D)Material Agreements with Strategic Customers

Business Relationship with Strategic Customers Based on Purchase Orders

The Company deals with the Saudi Chemical Company on the basis of purchase orders under which the Company is required to provide licenses for programs, products, and services by customers. The value of the commercial relationship between 2015G and 30/06/2018G is SAR 3,081,750. Where purchase orders relate to additional software licenses and services, the purchase order shall include the terms in the relevant application document (such terms may vary depending on products and suppliers). It should be noted that this application document is concluded between the end user and the licensor (or its representative) and the application document may be subject to different jurisdictions. Half of the amount due under these orders shall be paid in advance and the remaining amounts shall be paid upon receipt of the products.

Business Relationship with Riyad Bank

The Company has entered into seven agreements with Riyad Bank on similar terms for the supply of products (including hardware, software, equipment, and systems) and for installation, consolidation, testing, and maintenance of such products and the related technical support services. As of the date of this Prospectus, the value of the agreements between the Company and the Riyad Bank amounted to SAR 21.562.898 (see Section 4.8.3 ("**Customers**") of this Prospectus for further details on the value of the business between the Company and Riyad Bank). The agreement terms range from three (3) months to three (3) years. Riyad Bank reserves the right to renew the maintenance service period by thirty (30) days' written notice to be served on to the Company prior to the end of the maintenance period or termination of such services (in whole or in part). The invoices submitted under the agreements shall be paid within forty-five (45) days from the date of submission thereof. Riyad Bank shall have the right to impose a fine on the Company in case of delay or failure to fulfil any of its obligations or achieve the required performance levels under the agreement provided that the total value of such fines shall not exceed ten percent (10%) of the total value of the agreement. Riyad Bank and the Company shall be entitled to terminate the agreement by prior written notice in the event that the Second Party fails to perform any of its obligations under the relevant agreement and fails to remedy such failure within a period not exceeding thirty (30) days or in the event of default, bankruptcy or liquidation of the other party. Riyad Bank is entitled to terminate the agreements immediately by notice to the Company where: (1) the Company fails to perform its obligations to supply the Products under the agreement on an ongoing basis, (2) Riyad Bank requests to suspend all maintenance services, or (3) the products received are not consistent with the contractual undertakings provided. The Company shall indemnify Riyad Bank for any losses that may be incurred by Riyad Bank as a result of any breach of the Company's guarantees regarding the special intellectual property rights in the products provided by the Company. The Company may not assign the agreements (in whole or in part) or subcontract the execution of any and all the agreement terms without the prior written consent of Riyad Bank. Such agreements shall be subject to the applicable laws of the Kingdom and any disputes arising out of the implementation of the agreement shall be resolved by way of arbitration in Riyadh in the event that no amicable settlement is reached within 10 days under the Saudi Arbitration Law promulgated by Royal Decree No. M/34 dated 24/05/1433H.

Business Relationship with Government Entities

The Company has previously concluded with various government entities several agreements which are deemed strategic by the Company given the ratio of services provided to these entities (see Section 4.8.3 ("Customers") of this Prospectus for further details about the Company's customers and the value of the agreements concluded with government entities). The terms of these agreements are three (3) years, and such entities include Riyadh Municipality (a strategic customer). Contracts are concluded with government entities on the terms of the model operation and maintenance contract specified under the Government Tenders and Procurement Law (issued by Royal Decree No. M/58 dated 04/09/1427H). Due payments are made on a periodic basis. During the execution of the contract, the government entity may increase the volume of business and services by no more than ten percent (10%) of the total value of the Company's obligations and may reduce the same by no more than twenty percent (20%) of the total value of the Company's obligations. The government entity may withdraw the work from the Company and put hand on the site where:

1- The Company delays in commencing the work, defaults in its performance, slows progress, or stops its work to the extent that the government entity believes that it cannot be completed according to the work schedule.
2- The Company withdraws from, leaves, or subcontracts the work to another party without the prior permission of the government entity.
3- The Company breaches a term of the contract or refuses to implement any of its contractual obligations and does not remedy these issues within fifteen (15) days from the date it has been requested to do so.
4- The Company gives, or causes to be given, any gift, advance, reward, or promise to provide the same to any government employee or officers or any other person related to the contracted work.
5- The Company is subject to bankruptcy or insolvency.

These contracts shall be governed by applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the Board of Grievances.

12.8 Finance Agreements

Bank Financing Agreements

The Company has entered into ten financing agreements in furtherance of its business purposes. Below is a summary of the agreements that the Company considers material or significant or which may affect the decision of the Subscribers to invest in the Offer Shares. The summary of the agreements and contracts described below includes the material provisions of these agreements and not all terms and conditions of those agreements. The summary cannot be considered as an alternative to the terms and conditions of those agreements.

It should be noted that the Company did not comply with some of the undertakings under the facility agreements concluded with the following financing agencies: Alawwal Bank, Banque Saudi Fransi, National Bank of Kuwait, Saudi Investment Bank, SABB, and Gulf International Bank. The agreements concluded with Alawwal Bank, Banque Saudi Fransi, and SABB grant the financier the right to expedite the payment of the amounts due, modify the terms or conditions of the facilities, or take any other steps to maintain the rights of the financier (including the collection of any guarantees provided by the Company). However, no financier of the Company requested that the payment of the outstanding amounts be accelerated. In addition, the financiers have renewed the facility agreements concluded with the Company. The Company has obtained one-time exemptions from all the relevant banks.

Some of the financing agreements concluded by the Company contain provisions requiring prior notice to the financiers in the event of any change in control of the Company or its structure of ownership or in event of the Company's shares being offered for public subscription, as well as provisions requiring financiers' approval prior to occurrence of an aforementioned event. The Company has obtained approvals regarding the change of ownership from the competent authorities.

The following table summarizes the finance agreements:

Table (12.5): Finance Agreements

#	Bank Name	Agreement Date	Expiry Date	Financing limit (SAR)	Approval of the Offering
1.	Alawwal Bank	21/05/2018G	According to each subsidiary facility	262,600,000	Yes
2.	GIB	15/02/2017G	27/06/2019G	60,000,000	Yes
3.	National Bank of Kuwait	05/12/2018G	Year from the date of signature*	70,283,000	Yes
4.	Riyad Bank	24/08/2017G	18/05/2019G	52,500,000	Yes
5.	Samba Financial Group	03/09/2017G	30/04/2019G	62,000,000	Yes
6.	Saudi Investment Bank	12/01/2017G	30/11/2017G**	91,800,000	Yes
7.	Banque Saudi Fransi	08/01/2018G	31/01/2019G	193,949,825	Yes
8.	Cisco Systems Finance International	17/04/2018G	12 Months	USD 5,000,000	Yes
9.	Arab National Bank	01/10/2018G	31/07/2019G	110,000,000	Yes
10.	SABB	15/02/2017G	31/12/2019G	64,321,751	Yes

** The agreement was signed by NBK and the Company.*

*** This agreement is being renewed.*

The following is the summary of the finance agreements concluded by the Company and some local banks:

(A)Facilities extended by Alawwal Bank

The Company concluded a facility agreement with Alawwal Bank on 23/10/1438H (corresponding to 18/07/2017G) to obtain facilities of SAR 262,600,000.

Below is a brief summary of the main conditions of this agreement:

Table (12.6): Conditions of facility agreement with Alawwal Bank on 23/10/1438H (corresponding to 18/07/2017G)

Item	Description	
Total Facilities	SAR 262,600,000	
Termination Date	Not specified in the agreement. The agreement provides that Alawwal Bank shall periodically review the agreement and may, at its discretion, terminate the same at any time.	
1. Islamic Current Debit Account	Maximum	SAR 5,000,000
	Purpose	To support a cash deficit
	Availability Period	12 Months
	Profit Margin	Basic Bank Rate + 1.5%
2. Overall Credit Facility	Maximum	SAR 40,000,000
(a) At-sight Murabaha documentary credits, the trading of import bonds payable at sight, the opening of term documentary credits, and the acceptance of bills against such credits to finance the purchase of IT equipment and services required for projects	Sub-limit	SAR 40,000,000
	Availability Period	6 months
	Profit Margin	Ratio of SAMA + 0.75% 1.5% for term documentary credits

Item	Description	
(b) Bid bonds, performance bonds, and advance payment guarantees	Sub-limit	SAR 30,000,000
	Term	Bid bond: 12 Months Performance bond: 42 Months Advance payment guarantee: 24 Months
	Profit Margin	Bid bond: Ratio of SAMA + 0.5% Performance bond: Ratio of SAMA + 1% Advance payment guarantee: Ratio of SAMA + 1.5%
3. Short Term Islamic Financing (Tawarruq)	Maximum	SAR 85,000,000
	Purpose	To finance working capital requirements of existing projects (for direct transfer to suppliers or contractors with cash withdrawals not allowed)
	Availability Period	6 months (or 9 months for each debt)
	Profit Margin	SIBOR + 3% per annum
(a) Short-term Islamic financing (Murabaha)	Sub-limit	SAR 20,000,000
	Availability Period	6 months (or 9 months with admission periods)
	Purpose	To repay 90% of each documentary credit
	Profit Margin	SIBOR + 3% per annum
4. Payment Guarantee	Maximum	SAR 15,100,000
	Purpose	Payment Guarantee for HP On-demand documentary credits to cover the Company's requests from Oracle
	Term	12 months for each guarantee
	Profit Margin	Ratio of SAMA + 2%
5. Overall Credit Facility	Maximum	SAR 40,000,000
(a) At-sight Murabaha documentary credits, the trading of import bonds payable at sight, the opening of term documentary credits, and the acceptance of bills against such credits to finance the purchase of IT equipment and services required for projects	Sub-limit	SAR 40,000,000
	Term	6 months
	Profit Margin	Ratio of SAMA + 0.75% 1.5% for term documentary credits
(b) Short-Term Islamic Finance (Murabaha)	Sub-limit	SAR 40,000,000
	Availability Period	6 months (or 9 months with admission period)
	Profit Margin	SIBOR + 3% per annum
6. Products not included in the Company's budget	Maximum	SAR 15,000,000
	Term	24 months for each promise to credit
	Purpose	Protection against fluctuations in foreign exchange rates
	Profit Margin	Based on each process

Item	Description	
7. Special credit limit to finance the equipment and software license processing related Cloud projects, warranty, maintenance, and operation (Phase I)	Maximum	SAR 62,500,000
(a) Performance bond	Sub-limit	SAR 4,700,000
	Term	48 Months
	Profit Margin	Ratio of SAMA + 1%
(b) Advance payment guarantees	Sub-limit	SAR 10,000,000
	Term	36 Months
	Profit Margin	Ratio of SAMA + 1.5%
(a) At-sight Murabaha documentary credits, the trading of import bonds payable at sight, the opening of term documentary credits, and the acceptance of bills against such credits	Sub-limit	SAR 47,800,000
	Term	9 Months
	Profit Margin	Ratio of SAMA + 0.75% 1.5% for term documentary credits
c (1) - Islamic financing	Sub-limit	SAR 47,800,000
	Purpose	To finance the payment of documentary credits and make direct payment to suppliers
	Term	9 Months
	Profit Margin	SIBOR + 3% per annum
Guarantees	1. Promissory note of SAR 262,600,000 payable on demand 2. Joint and several guarantees of SAR 262,600,000 by Khaled Abdullah Ibrahim Al Moammar and Mr. Ibrahim Abdullah Ibrahim Al Moammar 3. Assignment to Alawwal Bank of all proceeds of project contracts with a value of at least SAR 5,000,000 4. Assignment to Alawwal Bank of all proceeds of project contracts with a value of more than SAR 20,000,000 if the owner of the project is SABIC, Aramco, or SEC.	
Conditions	1. The amounts of direct payments shall be used for direct payments to suppliers and/or subcontractors 2. The remaining value of the proceeds of the projects financed by Facility No. 3 shall cover at least 80% of the outstanding balance under the same facility. 3. Issuance of bid bonds does not include any obligation on the part of Alawwal Bank to finance projects for which such bid bonds were issued 4. Assignment to Alawwal Bank of all proceeds of the project of equipment and software licenses processing for Cloud projects, warranty, maintenance, and operation (Phase I) awarded by the Ministry of Interior - National Information Centre - amounting to SAR 93,000,000 5. A confirmed assignment to Alawwal Bank of all the proceeds of several projects covering Facility No. 3 with at least 125% at all times	
Undertakings	1. Retention of SAR 150,000,000 as a minimum of the net tangible partner's rights through the facility period 2. The leverage ratio shall not exceed 2:1 3. The dividend distribution and withdrawals shall not exceed 50% of the net profit (after tax and Zakat) 4. The Company's assets may not be disposed of to the extent that its financial solvency is affected or subject to a material change.	

Item	Description
Termination and Acceleration of Payment	The following conditions represent, inter alia, default cases that grant Alawwal Bank the right to cancel or expedite the facilities and immediately consider all facilities balances payable: • In case the Company fails to pay any amounts due • In the event of breach of an undertaking under the financing agreement. • In case the shareholders' shares are decreased or sold in whole or in part or otherwise changed, or a new partner is admitted without the prior written consent of the Alawwal Bank.
The Governing Law and Jurisdiction	The facility agreement is subject to the applicable laws in the Kingdom. Disputes shall be referred to the Banking Disputes Resolution Committee of the Saudi Arabian Monetary Authority (SAMA).

(B) Facilities extended by Gulf International Bank (GIB)

The Company concluded a facility agreement with GIB on 06/04/1440H (corresponding to 13/12/2018G) to obtain facilities of SAR 60,000,000.

Below is a brief summary of the main conditions of this agreement:

Table (12.7): The conditions of Murabaha agreement for purchase of goods with GIB dated 19/05/1438H (corresponding to 15/02/2017G)

Item	Description	
Total Facilities	SAR 60,000,000	
Expiry Date	27 June 2019G	
1. Working Capital Facilities	Maximum	SAR 45,000,000
(a) Refinance Facility	Sub-limit	SAR 45,000,000
	Term	6 months
	Profit Margin	SIBOR + 2.25% per annum in case of Riyal LIBOR + 2% in case of US Dollar
(b) Facility of guarantee issuance	Maximum	15,000,000
	Purpose	Bid bonds / performance bond
	Term	Bid bond: 12 Months Performance bond: 36 Months
	Profit Margin	SAMA tariff + 0.25%
Guarantees	1. Promissory note of SAR 60,000,000 payable on demand 2. Joint and several guarantees of SAR 60,000,000 by Khaled Abdullah Ibrahim Al Moammar and Mr. Ibrahim Abdullah Ibrahim Al Moammar 3. A confirmed assignment of the contract proceeds with regard to projects with a value exceeding SAR 25,000,000, provided that the amounts payable on the facilities allocated for the projects without confirming the assignment of SAR 37,500,000.	
Conditions	1. Provide the Bank with the required financial information. 2. Provide copies of the invoices for issuance of export credits and commercial documents. 3. Inform the Bank of any changes in ownership.	

Item	Description
Undertakings	1. The ratio of the total liabilities to the total net tangible rights of the shareholders (including the shareholders' current account) shall not exceed 3.0:1.0 2. The dividends distributed at the end of any financial year shall not exceed 70% of the net profits in that year 3. The ratio of current assets to current liabilities shall not be less than 1:1
Termination and Acceleration of Payment	The Gulf Bank shall be entitled at any time upon occurrence of a default event which exists where: 1. The Company fails to pay any amount due 2. The Company fails to comply with any of its obligations under any facility documents, key conditions, or guarantee documents, and such failure has not been remedied within 7 days 3. Any decision or guarantee made is found or deemed to be incorrect or misleading in any way the Bank considers material 4. Any debt becomes payable, it can be declared to be payable before the said due date, or it has not been paid when due 5. A legal claim is lodged, or execution or attachment is declared, against all or any part of the Company's assets or business 6. The Company becomes insolvent or it is being subject to bankruptcy or liquidation 7. The Company ceases to perform all or any part of its business 8. A required declaration is not made with respect to the conclusion, performance, validity, or enforceability of the guarantee documents and transactions prescribed in the agreement, or it is no longer effective 9. There is, in the opinion of the Bank, a condition which gives reasonable grounds for anticipating any material adverse change in the Company's business 10. The Company ceases or suspends payment to its lenders or any class of its lenders, it is unable or deemed unable by an applicable law or admits its inability to pay its debts when due, it seeks to make a settlement or other arrangement with its lenders or any class of its lenders, it enters into an arrangement to exempt its debtors, or it is declared or becomes insolvent or bankrupt 11. A law, regulation, or order or an amendment to a law or regulation changes, suspends, terminates, or relieves the customer or any guarantee or obligation under the financing agreement (or any related document) or any guarantee ceases to be valid or enforceable warranty 12. A personal guarantor is dead or insolvent 13. The management of the Company is wholly or partially replaced by or under an authority or government, the Company's authority to perform its business is restricted, or all or most of the Company's shares, revenues, or assets are attached, nationalized, expropriated, or compulsorily seized
The Governing Law and Jurisdiction	The facility agreement is subject to the applicable laws in the Kingdom. Disputes shall be referred to the Banking Disputes Resolution Committee of the Saudi Arabian Monetary Authority (SAMA).

(C)Facilities extended by NBK

The Company concluded a facility agreement with NBK facilities on 27/03/1440H (corresponding to 05/12/2018G) to obtain facilities of SAR 70,283,000.

Below is a brief summary of the main conditions of this agreement:

Table (12.8): Conditions of facility agreement with NBK on 27/03/1440H (corresponding to 05/12/2018G)

Item	Description	
Total Facilities	SAR 70,283,000	
Expiry Date	Year from the date of signature*	
1. Bid Bonds	Maximum	SAR 2,000,000
	Availability Period	6 months
	Purpose	To participate in tenders for government projects
	Profit Margin	SAMA Tariff
2. Performance bonds	Maximum	12,000,000
	Purpose	To guarantee the proper implementation of government and private projects acceptable to the Bank
	Term	36 Months
	Profit Margin	SAMA Tariff
3. Tawarruq loan - to finance the invoices of government and private projects	Maximum	50,000,000
	Authority	6 months from the date of withdrawal
	Purpose	Financing approved invoices for government and private projects acceptable to the Bank with no more than 80% of the net value of each invoice.
	Profit Margin	SIBOR + 2.15% per annum LIBOR + 2.35%
(a) At-sight and deferred letters of credit (both internal and external)	Sub-limit	50,000,000
	Availability Period	270 days of admission / deferment period
	Purpose	To finance the purchase of materials, licenses, and/or services for projects financed by and assigned to the Bank
	Profit Margin	SAMA Tariff 1.50% annual admission fee

Item	Description	
(b) Tawarruq loan - to finance documentary credits or direct payments to suppliers through transfers made by the Bank	Sub-limit	50,000,000
	Availability Period	270 days of admission / deferment period
	Purpose	To pay the value of open documentary letters of credit or make direct payment to suppliers
	Profit margin	SIBOR + 2.25% LIBOR + 2.45%
	Terms	The facility may be used before the endorsement of the assignment is provided by the assignors with regard to the Company's entitlements related to the contracts financed by the First Party in accordance with the following conditions, which must be fulfilled before the facility is applied: (a) The Company shall assign to the First Party its entitlements related to contracts financed by the First Party. (b) The Company undertakes to provide the First Party with the original letters of assignment endorsement provided by the assignors with regard to its entitlements in the financed contracts within a period of no more than 90 days from the issuance date of the performance bonds regarding projects financed by the Bank or the commencement date of the contracts / projects. (c) Goods related to funded projects shall be supplied within a period of no more than six months from the date the contracts are signed.
4. (Short-term) Tawarruq loan - to finance direct payments to suppliers through transfers made by the Bank	Maximum	SAR 6,283,000
	Availability Period	270 days
	Purpose	To make direct payment to suppliers
	Profit margin	SIBOR + 2.25% LIBOR + 2.45%
	Terms	1. In addition to the revenues of the project financed by the Bank, at least 10% of the revenues of all current and/or future projects, which are assigned by the Company, shall be allocated to the Bank in order to settle liabilities of the project. 2. A copy of the Petro Rabigh project contract signed by Petro Rabigh and the Company. 3. A copy of the purchase invoices issued by the Company in favor of HP and accepted by the Bank.
Guarantees	1. Joint and several guarantees by Khaled Abdullah Ibrahim Al Moammar and Mr. Ibrahim Abdullah Ibrahim Al Moammar 2. A confirmed assignment of revenues of projects accepted and financed by the Bank 3. A letter of attachment on the entire amount of the cash deposit account amounting to SAR 2,700,000**	

Item	Description
Conditions	1. Provide the Bank with quarterly reports on the progress of all projects financed by the Bank and those financed by all other banks 2. Provide the Bank with a copy of the internal financial statements on a semi-annual basis
Undertakings	1. The coverage of the net contract value related to Facility No. 2 shall not be less than 125% at any time 2. Debt-to-credit ratio shall not exceed 2:1 3. Dividends / withdrawals shall not exceed 70% of the annual net profit
Termination and Acceleration of Payment	1. The Company fails to pay any amount due under the financing agreement 2. The Company is unable to fulfill any of its obligations under the agreement 3. Any debt due becomes payable or may be declared to be payable before its due date, or it has not been paid at its due date 4. The Company ceases to pay the debts owed to its creditors or to any class thereof, becomes insolvent or is deemed insolvent under the applicable laws, recognizes its inability to pay its debts when due, seeks any settlement with its creditors or any class thereof, lodges or institutes any judicial proceedings to declare its insolvency or bankruptcy, or has actually became insolvent 5. Any guarantor is subject to any cases stated in Paragraph (4) 6. Issuance of any law or amendment thereto a that changes or is construed as changing, suspending, terminating, or relieving the Company or a guarantor from the performance of its obligations under this agreement or any other agreement or guarantee document, or invalidation or ineffectiveness of this agreement or any other agreement or guarantee document 7. There is, in the opinion of the Bank, a condition which gives reasonable grounds for anticipating any material adverse change in the Company's business
The Governing Law and Jurisdiction	The facility agreement shall be governed by the applicable laws of the Kingdom of Saudi Arabia. Disputes shall be referred to the Banking Disputes Resolution Committee of the Saudi Arabian Monetary Authority (SAMA).

** The agreement was signed by NBK and the Company*

*** This guarantee has been released by the financier*

(D)Facilities extended by Riyad Bank

The Company entered into a banking facility agreement with Riyad Bank on 02/12/1438H (corresponding to 24/08/2017G) for a facility of SAR 52,500,000.

Below is a brief summary of the main conditions of this agreement:

Table (12.9): Conditions of the banking facility agreement made with Riyad Bank on 02/12/1438H (corresponding to 24/08/2017G)

Item	Description	
Total Facilities	SAR 52,500,000.	
Expiry date	18/05/2019G	
1. Obligations related to operations	Maximum	SAR 10,000,000
	Maturity	-
	Profit margin	SAMA tariff + 1.75%
2. Special facilities against assigned purchases	Maximum	SAR 42,500,000
	Purpose	Financing amounting to 80% of the project's value
	Maturity	-
	Profit margin	-
(a) Short-term loans (part of direct credit alternatives)	Maximum	SAR 36,125,000
	Purpose	Financing of transfers and invoices
	Maturity	12 months of the date financing is granted or 100% of the proceeds of checks / remittances is deducted, whichever is earlier.
	Profit margin	SIBOR + 3.5%
(b) Short-term loans (part of direct credit alternatives)	Maximum	SAR 36,125,000
	Purpose	Financing amounting to 80% of the project's value
	Maturity	12 months of the date financing is granted or 100% of the proceeds of checks / remittances is deducted, whichever is earlier.
	Profit margin	SIBOR + 3.5%
Guarantees	Declaration of joint guarantee and indemnity of SAR 52,500,000 by Khaled Abdullah Ibrahim Al Moammar and Mr. Ibrahim Abdullah Ibrahim Al Moammar	
Conditions	The Borrower may not assign to third parties in whole or in part this contract without the written consent of the Bank	
Undertakings	The Borrower declares that any change to the Company, whether in relation to the legal form of the Company, the shareholders or limits of their liabilities, capital, third-party obligations, business, capacity or status shall not affect the continued operation of this contract. The Borrower shall notify the Bank immediately upon such change.	

Item	Description
Termination and Acceleration of Payment	1. Violation of any contractual obligations to Riyad Bank or others (including undertakings, representations, or warranties provided by the Company) 2. Existence of a lawsuit, judicial proceeding or attachment (whatever its reason is) or a judgment, award, or order issued by a court, administrative body, or arbitral tribunal having the power to issue such orders or administrative attachment against the Company or its indemnitors, guarantors, subsidiary, or sister company 3. Any amendment to the legal form 4. Insolvency of the Company or initiation of bankruptcy or liquidation proceedings 5. Any of the Company's obligations under the Facility Documents is or becomes inconsistent with any regulations or laws
The Governing Law and Jurisdiction	The facility agreement shall be governed by the applicable laws of the Kingdom of Saudi Arabia Disputes shall be referred to the Banking Disputes Resolution Committee of the Saudi Arabian Monetary Authority (SAMA).

* *A letter was obtained from the Bank to convert the existing facilities into Islamic facilities.*

(E) Facilities extended by Samba Financial Group

The Company entered into a banking facility agreement with Samba Financial Group on 23/12 /1439H (corresponding to 03/09/2018G) for a facility of SAR 30,000,000.

Below is a brief summary of the main conditions of this agreement:

Table (12.10): Conditions of the banking facility agreement made with Samba Financial Group on 23/12 /1439H (corresponding to 03/09/2018G)

Item	Description	
Total Facilities	SAR 62,000,000	
Expiry date	30 April 2019G. The validity period may be extended by the Samba Financial Group	
1. Rotating Murabaha Facility	Maximum	SAR 62,000,000
	Maturity	365 days for each purchase and sale
	Profit margin	Not specified in the agreement
Guarantees	1. Assignment of projects' revenues 2. Joint and several guarantee by Khaled Abdullah Ibrahim Al Moammar and Mr. Ibrahim Abdullah Ibrahim Al Moammar	
Undertakings	1. Provide Samba Financial Group with a copy of the audited budget and profit and loss account within 120 days after the end of the financial year 2. Provide the Samba Financial Group with a copy of the budget and profit and loss account within 60 days of the end of the first half of each year	

Item	Description
Termination and Acceleration of Payment	1. Failure by the Company (or any Guarantor) to pay any amount due under the agreement or any other agreement in the currency or manner specified in the agreement or in the guarantee documents 2. If any endorsement provided by the Company under the agreement is found to be untrue or inaccurate 3. If the Company fails to perform any of its obligations under the agreement 4. There is a material and negative change in the financial position of the Company 5. If the Company becomes insolvent or makes a general assignment to its creditors or make compromise with them, or a court declares the Company bankrupt or the Company's dissolution is initiated.
The Governing Law and Jurisdiction	The facility agreement is subject to the applicable laws in the Kingdom. In case of litigation, resort shall be made to the Banking Disputes Resolution Committee of the Saudi Arabian Monetary Authority (SAMA).

(F) Facilities provided by the Saudi Investment Bank

The Company entered into a banking facility agreement with the Saudi Investment Bank on 14/4/1437H (corresponding to 12/01/2017G) for a facility of SAR 91,800,000. It should be noted that the validity period of this agreement expired, but the Company continues to use the facilities granted under this agreement and the Company is currently seeking to renew this agreement with the financier.

Below is a brief summary of the main conditions of this agreement:

Table (12.11): Conditions of the banking facility agreement made with the Saudi Investment Bank on 14/4/1437H (corresponding to 12/01/2017G)

Item	Description	
Total Facilities	SAR 91,800,000	
Availability Period	30/11/2017G*	
Fees	0.5%	
1. Letters of guarantee	Maximum	SAR 5,000,000
	Term	12 months from the date of issue
	Purpose	To issue bid bonds for beneficiaries acceptable to the Bank
	Profit margin	SAMA tariff
2. Letters of guarantee for issuance of payment guarantees	Maximum	SAR 1,800,000
	Purpose	To issue the Saudi Investment Bank / American Express Corporate Credit Card
	Term	12 Months

Item	Description	
3. At-sight or deferred documentary letters of credit	Maximum	SAR 60,000,000
	Term	270 days
	Admission period	270 days
	Purpose	To finance contracts acceptable to the Bank on a case-by-case basis
	Profit margin	SAMA tariff
	Admission fees	1.5% Per year
	Cash Cover	5% (exclusive of commission)
(a) Short-term loans	Sub-limit	SAR 57,000,000
	Availability Period	270 days (including the admission period)
	Purpose	To refinance documentary letters of credit and/or finance direct payments to suppliers
	Profit margin	SIBOR + 2.25% per annum (paid monthly)
(b) Short-term loans	Sub-limit	SAR 20,000,000
	Availability Period	6 months
	Purpose	A deduction of up to 75% of the net value of the invoices to be paid by entities acceptable to the Bank
	Profit margin	SIBOR + 2.25%
4. Letters of guarantee for issuance of performance bonds for beneficiaries acceptable to the Bank	Maximum	29,000,000
	Availability Period	48 months from the date of issue
	Purpose	To issue performance bonds for beneficiaries acceptable to the Bank
	Cash Cover	5% (exclusive of commission)
(a) Letter of guarantee for issuance of payment guarantee for beneficiaries acceptable to the Bank	Sub-limit	4,000,000
	Availability Period	48 months from the date of issue
	Profit margin	
	Profit margin	1.5% (inclusive of SAMA tariff and management fees
	Cash Cover	10% (exclusive of commission)
Guarantees	1. A documented and recognized assignment to the Bank of the proceeds of contracts accepted by the Bank, which contracts may be financed under Facility No. 3 provided that the balances of contracts assigned to the Bank shall cover at least 135% of the Bank's total existing facilities	
Conditions	1. The value of any bid bond shall not exceed SAR 500,000 2. In no circumstances may the Bank's issuance of any bid bond constitute a guarantee, nor does it implicitly or expressly form any obligation or approval by the Bank to issue any other collateral or provide facilities of any type for the project for which the bid bond is granted. The financing of other projects of the Bank requires prior approval from the bank at its absolute discretion.	

Item	Description
Undertakings	1. Retain the current liquidity ratio of at least 1:1 2. Retain the ratio of total liabilities to net tangible value of 1:2
Termination and Acceleration of Payment	1. At the discretion of the Bank at any time for any reason (including change in the organizational or shareholding structure of the Company)
The Governing Law and Jurisdiction	The facility agreement is subject to the applicable laws in the Kingdom. Disputes shall be referred to the Banking Disputes Resolution Committee of the Saudi Arabian Monetary Authority (SAMA).

** This agreement is being renewed*

(G) Facilities provided by Banque Saudi Fransi

The Company entered into a banking facility agreement with Banque Saudi Fransi on 21/04/1439H (corresponding to 08/01/2018G) for a facility of SAR 193,949,825.

Below is a brief summary of the main conditions of this agreement:

Table (12.12): Conditions of banking facility agreement with Banque Saudi Fransi on 21/04/1439H (corresponding to 08/01/2018G)

Item	Description	
Total Facilities	SAR 193,949,825	
Expiry Date	31/01/2019G	
Fees	755,000	
1. Multi-purpose facilities	Maximum	SAR 25,500,000
(a) Overdraft facility	Sub-limit	SAR 500,000
	Profit margin	11.5% Per year
(b) Short-term loans	Sub-limit	SAR 10,000,000
	Term	180 days
	Purpose	Finance the purchase and sale of goods
	Profit margin	RIBOR + 3.25% per annum
	Admission fees	RIBOR + 3.25% per annum
(c) Guarantees	Sub-limit	SAR 15,000,000
	Purpose	Issuance of performance bonds
	Cash Cover	10%
(d) Securitization	Sub-limit	SAR 5,000,000
	Availability Period	90 days
	Term	180 days
	Purpose	Import finance
	Cash Cover	10%
	Profit Margin	RIBOR + 3.25% per annum
2. Project performance bond	Maximum	SAR 649,825
	Cash Cover	10%
	Term	25/11/2018G
	Purpose	Project performance bond with SEC

Item	Description	
3. Reserve facility	Maximum	SAR 80,000,000
(a) Short-term loans and securitization	Sub-limit	SAR 80,000,000
	Profit margin	RIBOR + 3.25% per annum
	Fees	RIBOR + 3.25% per annum
	Cash Cover	10%
	Admission period	180 days
	Availability Period	180 days
	Terms	90% of the finance is paid directly to suppliers and employees
(b) Securitization	Sub-limit	SAR 72,000,000
	Profit margin	RIBOR + 3.25% per annum
	Fees	RIBOR + 3.25% per annum
	Cash Cover	10%
	Admission period	180 days
	Availability Period	180 days
(c) Stand-by credit	Sub-limit	SAR 20,000,000
	Profit margin	RIBOR + 3.25% per annum
	Fees	RIBOR + 3.25% per annum
	Cash Cover	10%
	Admission period	180 days
4. Long-term Tawarruq	Maximum	SAR 17,000,000
	Availability Period	31/08/2018G
	Term	30/09/2022G
	Purpose	Finance of Headquarter Project
	Profit margin	RIBOR + 2.25% per annum
5. Project finance facility for the Ministry of Interior project	Maximum	SAR 48,000,000
(a) Performance bond	Sub-limit	SAR 6,000,000
	Cash Cover	10%
	Term	30/11/2018G
(b) Short-term loans	Sub-limit	SAR 42,000,000
	Profit margin	RIBOR + 3.25%
	Availability Period	180 days
	Term	30/11/2018G
6. Project performance bond	Maximum	SAR 7,000,000
	Cash Cover	10%
	Term	30/11/2018G
	Purpose	Project performance bond for the Ministry of Municipal and Rural Affairs

Item	Description	
7. Forward exchange contract	Maximum	SAR 15,800,000
	Term	30/09/2020G
Guarantees	1. Assignment of contract proceeds to the Bank in respect of performance bonds 2. Assignment of contract proceeds to the Bank in respect of credits or bonds of SAR 10,000,000 3. Promissory note by Mr. Khaled Abdullah Ibrahim Al Moammar and Mr. Ibrahim Abdullah Ibrahim Al Moammar 4. Mortgage on Deed No. 410113072962 5. Assignment of the Headquarters' insurance policy to Banque Saudi Fransi 6. Assignment of contract proceeds in respect of contracts made with the Minister of Municipal and Rural Affairs 7. Assignment of contract proceeds in respect of contracts made with SEC	
Conditions	1. Opening one account for all projects of SAR 10 million or more 2. Opening a different account for each contract of over SAR 10 million 3. Payment of SAR 4,300,000 to purchase the plot 4. Contracts and documents of the New Headquarters Project shall be provided 5. Capital expenses are not to be incurred during 2018G/2019G	
Undertakings	1. The remaining value of the waived contracts shall cover 125% of the value of the agreement at all times 2. Retain the current liquidity ratio of at least 2.2:1 during the agreement term 3. Prevent the distribution of 30% of the Company's income in Banque Saudi Fransi 4. Retain an existing value covering 150% of the total value of the facility limits granted 5. Deposit by Banque Saudi Fransi of 30% 6. Retain the ratio of total liabilities to net tangible value of 1:2	
The Governing Law and Jurisdiction	The facility agreement is subject to the applicable laws in the Kingdom. Disputes shall be referred to the Banking Disputes Resolution Committee of the Saudi Arabian Monetary Authority (SAMA).	

(H) Facilities provided by Cisco Systems Finance International

The Company entered into a banking facility agreement with Cisco Systems Finance International dated 01/08/1439H (corresponding to 17/04/2018G) for a facility of USD 5,000,000.

Below is a brief summary of the main conditions of this agreement:

Table (12.13): Terms of the banking facility agreement provided by Cisco Systems Finance International dated 01/08/1439H (corresponding to 17/04/2018G)

Item	Description	
Total Facilities	USD 5,000,000	
Expiry Date	12 Months	
Fees	4.5%	
Loan	Maximum	USD 5,000,000
	Term	12 Months
	Purpose	IT solution facility
	Profit margin	4.5%

Item	Description
Guarantees	A promissory note payable upon request at an amount of USD 5,000,000
Conditions	1. Provide the Bank with audited financial statements at the end of each financial year. 2. The Company shall maintain all insurance with respect to its business and assets.
Undertakings	1. The Company undertakes not to merge with any other entity without the written consent of Cisco. 2. The Company undertakes not to sell, transfer, lease, assign, or dispose of all or any part of its business assets. 3. The Company undertakes not to change its activity 4. The Company undertakes not to issue shares to any person other than the current Shareholders
Termination and Acceleration of Payment	Cisco is entitled to terminate and / or expedite payment in the event of breach of any of the undertakings
The Governing Law and Jurisdiction	The facility agreement is subject to the applicable laws in the Kingdom. Disputes shall be referred to the Banking Disputes Resolution Committee of the Saudi Arabian Monetary Authority (SAMA).

(I) Facilities provided by the Arab National Bank

The Company entered into a banking facility agreement with the Arab National Bank on 21/01/1440H (corresponding to 01/10/2018G) for a facility of SAR 110,000,000.

Below is a brief summary of the main conditions of this agreement:

Table (12.14): Conditions of the banking facility agreement made with the Arab National Bank on 21/01/1440H (corresponding to 01/10/2018G)

Item	Description	
Total Facilities	SAR 110,000,000	
Expiry Date	31/12/2019G	
1. Bid bonds	Maximum	SAR 10,000,000
	Term	One year
	Purpose	Issuance of letters of guarantee to eligible beneficiaries of the Bank
	Fees	Annual SAMA tariff
2. Common limit of project finance special facilities upon request	Maximum	SAR 100,000,000
	Purpose	Contract finance, provided that such projects are owned by government agencies and the private sector and acceptable to the Bank
	Terms	1. Provide a feasibility study for each project 2. Inform the bank with the legal assignment of contract proceeds to the Bank 3. The value of the contract to be financed shall not be less than SAR 20,000,000

Item	Description	
(a) Rotating Islamic letters of guarantee	Cash insurance	No insurance
	Fees	1% Per year
	Purpose	Issuance of guarantees to eligible beneficiaries of the Bank
	Term	Five years after the date of bond issuance
(b) Documentary credits (at-sight or deferred)	Cash insurance	No insurance
	Open commission	SAMA tariff
	Admission commission	1% Per year
	Purpose	Issuance of letters of credit to eligible beneficiaries of the Bank
(c) Credit finance	Illustration	SIBOR + 2.5%
	Profit margin	In accordance with the project requirements and relevant cash flows
	Purpose	Import finance under documentary credits opened by the Bank
	Term of finance	360 days
(d) Short-term financing by Tawarruq (direct payment)	Fees	SIBOR + 2.5%
	Profit margin	In accordance with the project requirements and relevant cash flows
	Purpose	Total working capital
	Term of finance	360 days
(e) Bill discounting facility	Fees	SIBOR + 2.5%
	Profit margin	In accordance with the project requirements and relevant cash flows
	Purpose	Securitization finance up to 75% of the value of invoices submitted in respect of projects
	Term of finance	360 days
Guarantees	1. A promissory note of SAR 110,000,000 2. Guarantee by Mr. Khaled Abdullah Ibrahim Al Moammar and Mr. Ibrahim Abdullah Ibrahim Al Moammar 3. Legal assignment of funded project proceeds to the Bank	
Termination and Acceleration of Payment	Arab National Bank is entitled to terminate and / or expedite payment in the event of breach of any of the undertakings	
The Governing Law and Jurisdiction	The facility agreement is subject to the applicable laws in the Kingdom. Disputes shall be referred to the Banking Disputes Resolution Committee of the Saudi Arabian Monetary Authority (SAMA).	

(J) Facilities provided by the Saudi British Bank

The Company entered into a banking facility agreement with the Saudi British Bank on 16/03/1439H (corresponding to 15/02/2017G) for a facility of SAR 64,321,751 (as amended on 04/12/2017G, 03/07/2018G, and 17/10/2018G).

Below is a brief summary of the main conditions of this agreement:

Table (12.15): Conditions of the banking facility agreement made with the Saudi British Bank on 16/03/1439H (corresponding to 15/02/2017G)

Item	Description	
Total Facilities	SAR 64,321,751	
Expiry Date	31/12/2019G	
Fees	SAR 322.932	
Non-compliance fees	5% of the total value of the facility	
1. Documentary credit through Musharakah - Murabaha	Maximum	SAR 15,000,000
	Murabaha limit	SAR 13,500,000
	Term	180 days
	Purpose	Import materials for the Company's activities
	Fees	0.003%
	Credit Opening costs	SAMA tariff + 0.5%
	Profit margin	SIBOR + 2.5% per annum
(a) Shipping guarantees	Maximum	SAR 15,000,000
	Cash insurance	10%
	Fees	SAR 500 per guarantee
	Purpose	Issuance of shipping guarantees for the clearance of goods in the case of delayed arrival of the original bill of lading relating to documentary credits issued by the Bank and collection papers by the Bank
2. Bid and performance bonds and advance payments	Maximum	SAR 6,500,000
	Purpose	Issue guarantees relating to the Company's activity
	Cash insurance	5%
	Guarantee issuance costs	SAMA tariff + 0.5%
	Cash insurance	5%
3. Performance bonds of King Saud University Project	Facility Limit	SAR 713,963
	Cash insurance	5%
	Fees	SAMA tariff + 0.5% per annum
4. Performance bonds for the National Anti-Corruption Commission's (Nazaha) project	Facility Limit	SAR 285,465
	Cash insurance	5%
	Fees	SAMA tariff + 0.5% per annum

Item	Description	
5. Performance bonds of Riyadh Municipality Project	Facility Limit	SAR 719,340
	Cash insurance	5%
	Fees	SAMA tariff + 0.5% per annum
6. Shared facilities of IT Infrastructure Development Project (NADEC)	Maximum	SAR 9,366,866
(a) Import finance for materials using open account transactions (Murabaha facility and Tawarruq for metals)	Facility Limit	SAR 2,236,115 (gradually reduced)
	Purpose	Finance the purchase of materials through open account operations for Oracle
	Fees	0.003%
	Term	180 days
	Profit margin	SIBOR + 2.5% per annum
(b) Performance bonds	Facility Limit	SAR 366.866
	Cash insurance	5%
	Fees	SAMA tariff + 0.5% per annum
	Term	5 years
7. Joint facilities for the National Information Centre Project - Supply and Maintenance (Ministry of the Interior)	Maximum	SAR 36,500,000
(a) Financing documentary credits through Murabaha	Facility Limit	SAR 30.000.00
	Purpose	Import materials for the project
	Fees	0.003% SAMA tariff + 0.5% per annum
	Term	180 days
	Profit margin	SIBOR + 2.5% per annum
(b) Freight guarantees	Facility Limit	SAR 6,500,000
	Cash insurance	10%
	Fees	SAMA tariff + 0.5% per annum
	Term	5 years
8. Bid bond for the National Information Centre project (Ministry of the Interior)	Facility Limit	SAR 3,500,000
	Cash insurance	N/A
	Term	One year
	Fees	SAMA tariff + +1% per annum

Item	Description
Undertakings	1. At least 50% of the annual net profit shall be retained for business support 2. The ratio of total debt to net tangible equity shall not exceed 1:2.5 3. The Company shall undertake to direct all contract proceeds to the Company's account at the Bank 4. The Bank approves the administrative accounts on a quarterly basis in addition to the aging of receivables 5. The Bank approves the administrative accounts on a quarterly basis 6. The Company shall obtain the Bank's prior approval in the event of transaction with suppliers in country risks 7. The deficit in cash flows from the Company's sources shall be covered 8. The Bank approves the quarterly reports on progress of the funded projects
Guarantees	1. An irrevocable assignment of the contract payments to the Bank, supported by the owner of the project and accepted by the Bank in respect of the performance bonds and the advance payment 2. A Promissory note of SAR 64,321,751 3. A joint and several liability guarantee of SAR 76,366,295 by Ibrahim Abdullah Al Moammar and Khaled Al Moammar 4. Facility agreement and letter – general terms and conditions 5. A letter of assignment of contract excerpts with emphasis on assignment of the IT Infrastructure Development Project (NADEC) 6. A letter of assignment of contract excerpts with emphasis on assignment of the National Information Centre Project
Termination and Acceleration of Payment	1. In case of violation of any terms, obligations or undertakings 2. In case of change to ownership 3. Expiry of any warranties or documents 4. If the Company fails to meet any of the obligations of the Bank upon maturity or any event relating to its obligations that entitles the Bank to declare that a guarantee document or any other obligation is due and payable 5. The Company shall submit an application for the appointment of a legal receiver, guardian, or liquidator for the Second Party or its property, or in case of inability or written recognition of the inability to pay the debt when incurred, or make a public concession in favor of creditors, or file a voluntary petition for bankruptcy 6. Appointment of a liquidator or guardian, in case the Second Party is declared bankrupt or insolvent. 7. Any breach by the Company of financial covenants that have not been rectified 8. Any violation or breach by the Company under any other agreement with another bank or financial institution or with any other legal entity that is considered to have a material adverse effect on the ability to fulfil the obligations under the letter and facility agreement
The Governing Law and Jurisdiction	The facility agreement is subject to the applicable laws in the Kingdom. Disputes shall be referred to the Banking Disputes Resolution Committee of the Saudi Arabian Monetary Authority (SAMA).

12.9 Material contracts with related parties

There are no material transactions or agreements between the Company and related parties.

12.10 Real estate owned by the Company

The Company owns the following plot:

Table (12.16): Details of title deeds

Owner	Details of Title Deeds	Location	Description and purpose	Area (m^2)	Carrying amount (SAR)
Al Moammar Information Systems Company (MIS)	Deed No. 410113072962 dated 09/04/1439H	AlSahafa District, Riyadh	Plots 1368 and 1369 of Schemes No. 103 and No. 2413 for the purpose of establishing a new headquarters for the Company	1,843	8,122,900

12.11 Real Estate leased by the Company

The Company has entered into three lease agreements with respect to its current headquarters, and its branches in Jeddah and Khobar. As a lessee under these agreements, the Company pays the annual rental amount as specified in each agreement and is not be entitled to assign or sub-contract the leased space wholly or partially to third parties. The term of the lease varies in each agreement, but in general the term ranges are from one (1) to three (3) years, and all agreements provide for automatic renewal. The agreement of the Khobar branch allows the lessor to increase the rental value pursuant to a prior notice to the lessee within a period of not less than three (3) months prior to any increase in the rent. The agreements allow either party to cancel the agreement pursuant to a prior notice sent two to three (2-3) months before the lease expires. The following is a summary of the main terms of the lease agreements entered into by the Company:

Table (12.17): Breakdown of lease agreements

Lessee	Lessor	Location	Area (m^2)	Lease annual amount (SAR)	Duration of lease
The Company	Dar Qebaa Company	Pearl Centre, Riyadh	1,530	1,231,180	01/12/1439H to 01/12/1440H Automatically renewable
The Company	Rabiah and Nassar Group	Khobar	202	135,000	01/05/2009G to 30/04/2010G Automatically renewable
The Company	Jabal Edsas Company	Salama Tower Centre, Jeddah	195	175,500	17/12/2017G to 03/09/2019G Automatically renewable

Source: The Company

12.12 Intellectual Property

Trademarks

The Company has registered two trademarks for its business only, and it does not rely on them to gain any profit. The Company also has the right to use the trademarks of its suppliers to market and sell its suppliers' products. (For more details on the material agreements with suppliers, see Section 12.7 (a) ("Material Agreements with Suppliers").

The following table sets out certain key particulars of all the Company's registered trademarks:

Table (12.18): Details of Registered Trademarks

Country of Registration	Trademark	Status / Expiry Date	Class
Kingdom of Saudi Arabia		Protection started on 05/11/1436H (corresponding to 20/08/2015G), and is valid until 04/11/1446H	9
Kingdom of Saudi Arabia		Protection started on 13/09/1439H (corresponding to 28/05/2018G), and is valid until 12/09/1449H	9

Source: The Company

12.13 Cases, Claims, and Statutory Procedures

The Company is not a party to any material claims or proceedings as of the date of this Prospectus.

12.14 Insurance Policies

The Company maintains insurance policies covering different types of risks to which it may be exposed. The following table sets out the key particulars of the insurance policies held by the Company:

Table (12.19): Details of Insurance Policies

Document No.	Types of Insurance Coverage	Insurance Company	Effective Duration	Maximum Coverage (SAR)
2/10/171/2018	Transportation of goods by land, air, and sea	Salama Cooperative Insurance Company	03/05/2018G to 02/05/2019G	2,000,000 per shipment
5/22/66/2018	General Commercial liability	Salama Cooperative Insurance Company	1/11/2018G to 30/10/2019G	400,000,000
15319071	Compulsory Health Insurance	Tawuniya Insurance Company	29/01/2018G to 28/01/2019G	SAR 500,000 per person

Source: The Company

12.15 Description of Shares

Share Capital

The issued share capital of the Company is one hundred and sixty million Saudi Riyals (SAR 160,000,000) divided into sixteen million (16,000,000) Ordinary Shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share.

Ordinary Shares

The shares shall be nominal shares and may not be issued at less than their nominal value. However, the shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if the reserve has reached its maximum limit. A share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the share, and they shall be jointly responsible for the obligations arising from the ownership of the share.

Share Trading

The Company may, in accordance with Article 112 of the Companies Law, purchase its shares in accordance with controls set by the competent authority. The shares purchased by the Company shall not entitle it to votes in the Shareholders Assemblies.

Rights of the Holders of Ordinary Shares

Pursuant to Articles (110) of the Companies Law, a shareholder is vested with all the rights attached to the Shares, which include in particular the right to receive a share in the profits declared for distribution, the right to a share in the Company's assets upon liquidation, the right to attend General Assembly meetings, participate in its deliberations, and vote on its resolutions, the right to dispose of the shares, the right to access the Company's books and documents, the right to supervise the acts of the Board of Directors, the right to institute proceedings against the Board members and to contest the validity of the resolutions adopted at General Assembly meetings in accordance with the conditions and restrictions set forth in the Companies Law and the Bylaws. Each shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the Board members and the Auditor. The Board members or the Auditor shall answer the shareholders' questions in a manner that does not prejudice the Company's interest. If a shareholder deems the answer to the question unsatisfactory, then this shareholder may refer the issue to the General Assembly and its decision in this regard shall be conclusive.

General Assemblies

The Shareholders General Assembly duly convened represents all of the shareholders and shall be held in the city where the Company's head office is located. Each shareholder, regardless of the number of shares held, shall have the right to attend the General Assembly, whether in person or by proxy. With the exception of the constituent General Assembly, the general meetings of shareholders are either Ordinary General Assembly or Extraordinary General Assembly meetings. Except for matters falling within the jurisdiction of an Extraordinary General Assembly, an Ordinary General Assembly shall be competent to deal with all other matters related to the Company and shall be convened at least once a year during the first six (6) months following the end of the Company's fiscal year. Other Ordinary General Assembly meetings may be called where necessary. An Extraordinary General Assembly of shareholders shall be competent to amend the provisions of the Bylaws of the Company, other than those provisions whose amendment is prohibited by law. Furthermore, an Extraordinary General Assembly shall be empowered to adopt resolutions in matters within the jurisdiction of the Ordinary General Assembly under the same conditions and manners as prescribed for the latter.

Convening a General Assembly

The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the Company's Auditor or by a number of shareholders representing at least 5% of the Company's capital. A notice shall be published in a daily newspaper circulated in the city where the Company's head office is located at least ten days* prior to the time set for such meeting. The notice shall include the agenda of the meeting and a copy of the notice and the agenda shall be sent, within the period set for publication, to MCI and CMA.**

**This Article will be updated so as to extend the period to twenty-one (21) days in the first General Assembly held by the Company following CMA's approval and before listing.*

***This Article will be updated so as to determine an appropriate period under Companies Law at the first General Assembly held by the Company following CMA's approval and before listing.*

Quorum of the Ordinary General Assembly

A meeting of the Ordinary General Assembly shall not be valid unless attended by shareholders representing at least 50% of the Company's share capital. If such a quorum cannot be attained at the first meeting, a notice shall be published in the manner prescribed in Article (35) of the Bylaws, and the second meeting shall be deemed valid irrespective of the number of shares represented therein.

Quorum of the Extraordinary General Assembly

A meeting of the Extraordinary General Assembly shall not be valid unless attended by shareholders representing at least two thirds of the Company's share capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened in the same manner provided for in Section 12.6 ("Summary of the Company's Bylaws"). The second meeting shall be valid only if attended by a number of shareholders representing at least 25% of the Company's share capital.

Voting Rights

The Shareholders' General Assembly duly convened represents all the shareholders and shall be held in the city where the Company's head office is located. Each shareholder, regardless of the number of shares held, shall have the right to attend the conversion General Assembly, whether in person or by proxy.

Each shareholder shall have a vote for every share represented by him in the constituent General Assembly meeting. Votes at the meetings of the Ordinary General Assembly and the Extraordinary General Assembly shall be computed based on one vote for every share. The General Assembly shall elect the Board members through the accumulative voting method pursuant to the Corporate Governance Regulations issued by the CMA, as amended from time to time.

Term of the Company

The term of the Company shall be ninety-nine (99) Gregorian years commencing from the date of issue of the resolution of the Minister of Commerce announcing the Company's conversion. The term of the Company may always be extended by a resolution issued by the Extraordinary General Assembly at least one (1) year prior to the expiration of its term.

Dissolution and Liquidation of the Company

Upon the expiry of the Company's term, or if it is dissolved prior to the time set for the expiry thereof, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators, and specify their powers and fees. The powers of the Board of Directors shall cease upon the Company's expiry. However, the Board of Directors shall remain responsible for the management of the Company until the liquidators are specified. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators.

Resolutions of the Constituent General Assembly and the Ordinary General Assembly shall be adopted by an absolute majority (more than 50%) of the Shares represented at the assembly.

Resolutions of the Extraordinary General Meeting shall be adopted by a two-thirds majority of the shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's term, dissolving the Company prior to the expiry of the term specified under the Bylaws or merging the Company with another Company or establishment, then such resolution shall be valid only if adopted by a majority vote of three-quarters (3/4) of the Shares represented at the meeting.

Change of Shareholders' Rights

The rights of the shareholders to receive a share in the Company's profits declared for distribution, receive a share in the Company's assets surplus upon liquidation, attend General Assembly meetings and participate in the deliberations and vote on its resolutions, dispose of the Shares, access the Company's books and documents, supervise the acts of the Board of Directors, institute proceedings against the Board members, and contest the validity of the resolutions adopted at General Assembly meetings (in accordance with the conditions and restrictions set forth in the Companies Law and the Bylaws) unless granted pursuant to the Companies' Law and, therefore, may not be changed.

13. Underwriting

13.1 Summary of Underwriting Agreement

The Company, the Selling Shareholders, and the Underwriter (the Saudi Fransi Capital) have entered into an underwriting agreement (the "**Underwriting Agreement**") pursuant to which the Underwriter has agreed, subject to certain conditions, to fully underwrite the Offering of four million eight hundred thousand (4,800,000) Ordinary Offer Shares.

The name and address of the Underwriter are set out below:

Saudi Fransi Capital
Riyadh – King Fahad Road
P.O. Box: 23454
Riyadh 11426
Kingdom of Saudi Arabia
Phone No.: +966 (11) 282 6666
Fax: +966 (11) 282 6823
Website: www.sfc.sa
E-mail: info@fransicapital.sa

The agreed principal terms of the Underwriting Agreement are set out below:

A- The Selling Shareholders undertake to the Underwriter that, on the first business day after the CMA approves the allocation of the Offer Shares following the end of the Offering Period, they shall:

1- Sell and allocate the Offer Shares to any Individual Investors or Participating Parties whose application for Offer Shares has been accepted by a Receiving Agent; and

2- Sell and allocate to the Underwriter the Offer Shares that are not purchased by Individual Investors or Participating Parties pursuant to the Offering.

B- The Underwriter undertakes to the Selling Shareholders that it will purchase any Offer Shares that are not subscribed for by Individual Investors or Participating Parties, as stated below:

Underwriter	Number of Offer Shares Underwritten	Percentage of Offer Shares Underwritten
Saudi Fransi Capital	4,800,000	100%

13.2 Underwriting Costs

The Selling Shareholders will pay to the Underwriter an underwriting fee based on the total value of the Offering. Moreover, the Selling Shareholders agreed on behalf of the Company to pay the Underwriter's costs and expenses in connection with the Offering.

14. Offering Expenses

The Selling Shareholders will be responsible for all costs associated with the Offering, which are estimated at approximately SAR (15,000,000). This figure includes the fees of each of the Financial Advisor, Underwriter, Lead Manager, Bookrunner, legal advisors to the Company, the Underwriter, reporting accountants, Receiving Agents, Market Consultant, in addition to marketing expenses, printing and distribution expenses, and other related expenses. The Offering expenses will be deducted from the proceeds of the Offering. The Company will not be responsible for payment of the Offering expenses.

15. Undertakings Following Listing

Following listing, the Company undertakes to:

a- Complete Form 8 (relating to compliance with the Corporate Governance Regulations) and, in the event that the Company does not comply with any of the requirements of the Corporate Governance Regulations, explain the reasons for such non-compliance.

b- Provide the CMA with the date on which the first General Assembly will be held following listing so that a representative may attend.

c- Submit transactions and contracts in which a Board member has a direct or indirect interest for the authorization of the General Assembly (in accordance with the Companies Law and Corporate Governance Regulations) and renew such authorization on an annual basis, provided that the interested Board member shall be prohibited from voting on the relevant resolution (whether in the Board or the General Assembly) (for further details regarding Related Party contracts and transactions, please see Section 5.7 ("**Conflict of Interest**").

d- Disclose material developments related to the projects set out in Section 4.8.8 ("**Future Projects**").

e- Comply with all the mandatory provisions of the Rules on the Offer of Securities and Continuing Obligations, Listing Rules, and the Corporate Governance Regulations immediately upon listing.

Similarly, following listing, the Company's Board of Directors undertakes to:

a- Record all Board of Directors resolutions by means of written minutes of meetings, which shall be signed by the Board members and Secretary.

b- Disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations.

16. Waivers

The Company has not applied to the CMA for any exemption from any regulatory requirement set out in the Rules on the Offer of Securities and Continuing Obligations.

17. Subscription Terms and Conditions

The Company has made an application to the CMA for the registration and offer of securities and an application for listing of securities on Tadawul in accordance with the Rules on the Offer of Securities and Continuing Obligations, and Listing Rules. All Subscribers must carefully read the subscription terms and conditions before completing the Subscription Application Form. Signing the Subscription Application Form and delivering it to a Receiving Agent is deemed as acceptance and approval of the subscription terms and conditions.

17.1 Subscription to Offer Shares

The Offering will consist of four million and eight hundred thousand (4,800,000) Ordinary Offer Shares with a fully paid nominal value of SAR 10 per share at an Offer Price of SAR (45) per Offer Share for the Offering. The Offer Shares represent 30% of the Company's share capital, with the total value of the Offering amounting to SAR (216,000,000). The CMA has also the right to suspend the Offering if, at any time after its approval of this Prospectus and before registration and admission to listing of the Shares on the Exchange, a material adverse change has occurred in respect of the Company's operations.

The Offering is restricted to the following groups of investors:

Tranche (A): Participating Parties

This tranche comprises of the parties entitled to participate in the book building process in accordance with the Instructions on Book Building (for further details, please see Section 1 ("**Definitions and Abbreviations**")). Participating Entities will initially be allocated four million and eight hundred thousand (4,800,000) Ordinary Offer Shares, representing 100% of the Offer Shares, in the event that there is sufficient demand by Individual Investors. The Lead Manager shall have the right to initially reduce the previously allocated Offer Shares to Participating Entities to four million and three hundred and twenty thousand (4,320,000) Ordinary Offer Shares, representing 90% of the total Offer Shares.

Tranche (B): Individual Investors

This tranche comprises Saudi Arabian natural persons, including Saudi women who are divorced or widowed and who have children by a non-Saudi husband who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her own benefit, and GCC investors having natural personality. The subscription by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against the concerned applicant. If any subscriber subscribes to shares twice, the second subscription shall be considered void and only the first subscription will be considered. A maximum of (480,000) Ordinary Offer Shares representing 10% of the total Offer Shares will be allocated for individual investors. In the event that the Individual Investors do not subscribe in full to the Offer Shares allocated to them, the Lead Manager may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed by them, subject to the approval of the CMA.

17.2 Book-building and Subscription by Participating Entities

Each of the Participating Entities shall submit an irrevocable subscription order for purchase of the Offer Shares accompanied with an undertaking of payment, prior to conclusion of fixing the Offer Price, which precedes commencement of the Offering Period. The number of Offer Shares to be subscribed by each Participating Entity shall not be less than (100,000) Ordinary Shares. The number of requested shares shall be subject to allocation. The Lead Manager will inform the Participating Entities of the Offer Price and the number of Offer Shares initially allocated thereto. Subscriptions by the Participating Entities shall commence during the Offering Period, which also includes the Individual Investors, according to the terms and conditions detailed in the Subscription Application Forms.

17.3 Subscription by Individual Investors

Each Individual Investor shall subscribe for a minimum of ten (10) Offer Shares and a maximum of two hundred and fifty thousand (250,000) Offer Shares. Changes to or withdrawal of the subscription application shall not be permitted once the Subscription Application Form has been submitted.

Subscription Application Forms will be available during the Offering Period at Receiving Agents' branches. Subscription Application Forms shall be completed in accordance with the instructions mentioned below. Individual Investors who have recently participated in recent initial public offerings can also subscribe through the internet, banking telephone, or ATMs of any of the Receiving Agents' branches that offer any or all such services to its customers, provided that the following requirements are satisfied:

a- The Subscriber shall have a bank account at a Receiving Agents which offers such services.

- b- There should have been no changes to the personal information or data of the Subscriber since his subscription in the last Offering.

A signed Subscription Application Form represents a legally binding agreement between the Selling Shareholders and the relevant Individual Investor submitting it to the Receiving Agents.

Individual Investors may obtain a copy of this Prospectus on the websites of the CMA, the financial advisor and the company, while the Subscription Application Form from the branches of the following Receiving Agents (the Prospectus is also available on the websites of the CMA, the Financial Advisor and Company):

Receiving Agents
Banque Saudi Fransi Al-Ma'ather Street P.O. Box 5606, Riyadh 11554 Kingdom of Saudi Arabia Tel: +966 11 4042222 Fax: +966 11 4042311 Website: www.alfarnsi.com.sa E-mail: communications@alfarnsi.com.sa
Riyad Bank King Abdul Aziz Road P.O. Box 22622, Riyadh 11614 Kingdom of Saudi Arabia Tel: +966 11 4013030 Fax: +966 11 4042618 Website: www.riyadbank.com E-mail: customercare@riyadbank.com
Saudi British Bank (SABB) Prince Abdulaziz Bin Musa'ad Bin Jalawi Street P.O. Box 9084, Riyadh 11413 Kingdom of Saudi Arabia Tel: +966 (11) 405 0677 Fax: +966 (11) 405 0660 Website: www.sabb.com E-mail: sabb@sabb.com

The Receiving Agents will commence receiving Subscription Application Forms at their branches throughout the Kingdom beginning on 10/07/1440H (corresponding to 17/03/2019G) to 14/07/1440H (corresponding to 21/03/2019G). Once the Subscription Application Form is signed and submitted, the relevant Receiving Agent will stamp it and provide the Individual Investor with a copy of the completed Subscription Application Form. In the event that the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Receiving Agent, the Subscription Application Form will be considered void. The Individual Investors do not have the right to claim any compensation for the damages incurred due to such cancellation.

Each Individual Subscriber is required to specify the number of Offer Shares applied for in the Subscription Application Form, in addition to sufficient funds in an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR (45) per Share.

Subscriptions for less than ten (10) Offer Shares or fractional numbers will not be accepted. Increments are to be made in multiples of 10. The maximum number of Shares to be applied for is two hundred and fifty thousand (250,000) Offer Shares.

Subscription Application Forms for Individual Investors should be submitted during the Offering Period and accompanied (where applicable) with the following documents (the Receiving Agents will verify all copies against the originals and will return the originals to the relevant Individual Subscriber):

- a- The original and copy of the Individual Investor's national civil identification card (in case of individuals subscriber).
- b- The original and copy of the Individual Investor's national civil identification card (in case of GCC subscriber).
- c- The original and copy of the family civil identification card (when subscribing on behalf of family members).
- d- The original and copy of a power of attorney (when subscribing on behalf of others).
- e- The original and copy of a power of attorney (when subscribing on behalf of orphans).
- f- The original and copy of the divorce certificate (for the children of Saudi female divorcees).

g- The original and copy of the death certificate (when subscribing on behalf of the children of a widowed Saudi woman).

h- Original and copy of the birth certificate (for the children of Saudi female divorcees or widows).

In the event an application is made on behalf of an Individual Subscriber (parents and children only), the name of the person signing on behalf of the Individual Investor should be stated in the Subscription Application Form, accompanied with a valid original and a copy of the power of attorney. The power of attorney must be notarized by a notary public for the Individual Investors residing in the Kingdom and must be legalized through a Saudi embassy or consulate in the relevant country for the Individual Investors residing outside the Kingdom. The concerned official of the Receiving Agent shall match the copy with the original version and return the original version to the Subscriber.

One Subscription Application Form should be completed for the prime Subscriber and family members if they apply for the same number of shares as the prime Subscriber. In this case:

All Offer Shares allocated to the prime Individual Subscriber and dependent Subscribers will be registered in the prime Individual Subscriber's name.

The prime Subscriber will receive any refund in respect of amounts not allocated and paid for by himself and dependent Subscribers.

The prime Individual Investor will receive all dividends distributed in respect of the Offer Shares allocated to himself and dependent Individual Investors (in the event the Shares are not sold or transferred).

Separate Subscription Application Forms must be used if:

a- The Subscriber wants to register the allocated Shares in a name other than the name of the prime Individual Subscriber.

b- Dependent Individual Subscribers intend to apply for a different number of Offer Shares than the prime Individual Subscriber.

c- The wife subscribes in her name, adding allocated Offer Shares to her account (she must complete a separate Subscription Application Form from the Subscription Application Form completed by the relevant prime Individual Investor). In the latter case, applications made by the husbands on behalf of their spouses will be canceled and the independent application of the wives will be processed by the Receiving Agent.

A Saudi female divorcee or widow who has minor children from a marriage to a non-Saudi husband may subscribe on behalf of those children provided she submits proof of motherhood. The subscription by a person in the name of his divorced wife shall be deemed invalid and, in such cases, the law shall be enforced against that person.

During the Offering Period, only a valid Iqama will be an acceptable form of identification for non-Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents can only be included as dependents with their mother and cannot subscribe as prime Subscribers. The maximum age for non-Saudi dependents to be included with their mother is 18. Any documents issued by a foreign government must be notarized (attested) by a Saudi consulate or embassy in the relevant country.

Each Applicant agrees to subscribe for and purchase the number of Offer Shares specified in his/her Subscription Application Form for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR (45) per Offer Share. Each Individual Subscriber shall be deemed to have purchased the number of Shares allocated to him/her upon:

1- Delivery by the Individual Investor of the Subscription Application Form to any of the Receiving Agents;

2- Payment in full by the Individual Investor to the Receiving Agent of the total value of the Offer Shares subscribed for; and

3- Delivery to the Individual Investor by the Receiving Agent of the allotment letter specifying the number of Offer Shares allotted to him/her.

The total value of the Offer Shares subscribed for must be paid in full at a branch of the Receiving Agents by authorizing a debit of the Individual Investor's account held with the Receiving Agent to whom the Subscription Application Form is being submitted.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offer, the Company shall have the right to reject, in full or in part, such an application. The Individual Investor shall accept any number of Offer Shares allocated to him/her unless the allocated shares exceed the number of Offer Shares he has applied for.

17.4 Allocation and Refunds

The Lead Manager shall open and operate escrow accounts. Each of the Receiving Agents shall deposit all amounts received from the Subscribers into the escrow accounts mentioned above.

The Receiving Agents will notify the Subscribers informing them of the final number of Offer Shares allocated together with the amounts to be refunded. Excess subscription monies, if any, will be refunded to the Subscribers in whole without any deductions or fees and will be deposited in the Subscribers' accounts specified in the Subscription Application Forms. The announcement of the final allocation and refund of subscription monies will be made no later than 21/07/1440H (corresponding to 28/03/2019G). (For more details, please refer to "**Key Dates and Subscription Procedures**" on page (17/R) and Section (17) ("**Offering Terms and Conditions**")). Subscribers should communicate with the branch of the Receiving Agents where they submitted their Subscription Application Form for any further information.

17.4.1 Allocation of Offer Shares to Participating Entities

The allocation of the Offer Shares to Participating Entities will, after completion of the allocation of the Offer Shares to Individual Investors, be determined by the Lead Manager in coordination with the Company at their discretion, provided that the initial Offer Shares allocated to Participating Entities shall not be less than four million and eight hundred thousand (4,800,000) Ordinary Shares representing (100%) of the Offer Shares.

17.4.2 Allocation of Offer Shares to Individual Investors

A maximum of (480,000) Ordinary Offer Shares representing 10% of the total Offer Shares will be allocated for Individual Subscribers. The minimum allocation per Individual Subscriber is ten (10) Ordinary Offer Shares, and the maximum allocation per Individual Subscriber is two hundred and fifty thousand (250,000) Ordinary Offer Shares. The balance of the Offer Shares (if available) will be allocated on a pro-rata basis of the number of Offer Shares applied for by each Individual Investor to the total applied for Offer Shares. In the event that the number of Individual Investors exceeds (48,000) Individual Investors, the Company will not guarantee the minimum allocation of Offer Shares per Individual Investor, and the Offer Shares will be allocated in accordance with the proposals made by the Company and the Financial Advisor. Excess subscription monies, if any, will be refunded to the Individual Investors without any charge or withholding by the Receiving Agent.

17.5 Circumstances Where Listing May be Suspended or Canceled

17.5.1 Power to Suspend or Cancel Listing

a- CMA may suspend stock trading or cancel the listing at any time as it deems appropriate, in any of the following circumstances:
    1- The CMA considers it necessary for the protection of investors or the maintenance of an orderly market.
    2- The Issuer fails, in a manner which the CMA considers material, to comply with the CML, its Implementing Regulations, or market rules.
    3- If the Company fails to pay any fees due to the CMA or Tadawul or penalties due to the CMA on time.
    4- If it considers that the Company or its business, the level of its operations, or its assets is no longer suitable for the continued listing of shares in the market.
    5- When a reverse takeover announcement does not contain sufficient information about the proposed transaction. In the event that the Issuer has given sufficient information regarding the target entity and the CMA is convinced, after the announcement of the Issuer, that sufficient public information is available on the proposed transaction of the reverse takeover, the CMA may decide not to suspend trading at this stage.
    6- When information about the proposed transaction of reverse takeover is leaked and the Issuer cannot accurately assess its financial position and the market cannot be informed accordingly.
b- Lifting of trading suspension under Paragraph (A) above is subject to the following:
    1- Adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension for the protection of investors.
    2- The lifting of suspension being unlikely to affect the normal activity of the Exchange.
    3- The Issuer complying with any other conditions that the CMA may require.
c- Tadawul shall suspend the trading of securities of an Issuer in any of the following cases:
    1- When the Issuer does not comply with the deadlines for the disclosure of its periodic financial information in accordance with the requirements of Rules on the Offer of Securities and Continuous Obligations until its disclosure.
2- When the Auditor's report on the financial statements of the Issuer contains an opposing opinion or an abstention

from expressing opinion until the opposing opinion or abstention from expression opinion is removed.

3- If the liquidity requirements of Chapters 2 and 8 of the Listing Rules are not met after listing after the time limit set by the Exchange for the Issuer to rectify its conditions.

4- The issuance of a decision by an Extraordinary General Assembly of the Issuer to reduce its capital for the two trading days following the issuance of the decision.

a- The Exchange may at any time propose to the Authority to suspend the trading of any listed security or cancel its listing where in its opinion it is likely that any of the circumstances of paragraph (a) of this Article to occur.

b- An Issuer whose securities are subject to a listing suspension must continue to comply with the Capital Market Law, its Implementing Regulations, and the Exchange Rules.

c- Upon the issuer's completion of a reverse takeover, the listing of the issuer's shares shall be cancelled. Should it wish to re-list its securities, the Issuer must submit a new application for listing in accordance with the Rules on the Offer of Securities and Continuing Obligations.

d- This Article shall not prejudice the suspension of trading and cancellation of listing resulting from the losses of the Company pursuant to relevant Implementing Regulations and Exchange Rules.

17.5.2 Voluntary Cancellation of Listing

a- An Issuer whose securities have been listed may not cancel the listing of its securities on the Exchange without the prior approval of CMA. To obtain CMA approval, the Issuer must provide the cancellation application to the CMA along with a simultaneous notice to Exchange. The application has to include the following specific reasons for the request for the cancellation.

b- A copy of the disclosure described in Paragraph (3) below.

c- A copy of the relevant documentation and a copy of all related communication to shareholders if the cancellation is to take place as a result of a takeover or other corporate action by the Issuer.

d- Names and contact information of the financial advisor and legal advisor appointed according to the Rules on the Offer of Securities and Continuing Obligations.

1- The CMA may, at its discretion, approve or reject the cancellation request.

2- The Issuer must obtain the consent of the Extraordinary General Assembly on the cancellation of the listing after obtaining the CMA approval.

3- Where cancellation is made at the Issuer's request, the Issuer must disclose that to the public as soon as possible. The disclosure has to include the reason for the cancellation, the nature of the event resulting in the cancellation, and how it affects the Issuer's activities.

17.5.3 Temporary Trading Suspension

1- An Issuer may request from the Exchange a temporary trading suspension of its securities upon the occurrence of an event that occurs during trading hours which requires immediate disclosure under the CML, its Implementing Regulations or the Exchange rules, where the Issuer cannot maintain the confidentiality of this information until the end of the trading period. The half of trading in the issuer's securities will be made by the Exchange immediately upon receiving the request.

2- When trading is temporarily suspended at the Issuer's request, the Issuer must disclose to the public as soon as possible the reason for the suspension, its anticipated period and the nature of the event that caused it and how it affects the Issuer's activities.

3- The CMA may impose a temporary trading suspension without a request from the Issuer when the CMA has information or there are circumstances that would be likely to interrupt the operation of the Exchange or the protection of investors. An Issuer whose securities are subject to temporary trading suspension must continue to comply with the CML, its Implementing Regulations and Exchange rules.

4- A temporary trading suspension will be lifted following the elapse of the period referred to in the Paragraph 3 above, unless the CMA or the Exchange decide otherwise.

17.5.4 Lifting of Suspension

Lifting of trading suspension under Paragraph (A) of Section 17.5.1 ("Power to Suspend or Cancel Listing") is subject to the following:

a- Adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension for the protection of investors.

b- The lifting of suspension being unlikely to affect the normal activity of the Exchange.

c- The Issuer complying with any other conditions that the CMA may require.

In the event that the listing suspension continues for six (6) months with no appropriate procedure made by the Issuer to correct such suspension, the CMA may cancel the listing of Issuer.

17.5.5 Re-listing of Cancelled Securities

An Issuer is required to submit a new application for registration and admission to listing in order to re-list securities which have been cancelled in accordance with the Listing Rules and to meet the requirements stipulated in the Rules of the Offer of Securities and Continuing Obligations.

17.6 Approvals and Decisions under Which the Offer Shares are offered

The Resolutions and Approvals under which shares are offered are under:

1- The Company's Board of Directors decision recommending the Offering.
2- The Company's General Assembly resolution approving the Offering.
3- Saudi Stock Exchange's conditional approval on the register and offer of the securities.
4- CMA's announcement regarding its approval of the Offering.

17.7 Lock-up Period

Major shareholders mentioned on page (vii) of this Prospectus may not dispose of their Shares for six (6) months from the date on which trading in the Offer Shares commences on the Exchange and may only dispose of their respective Shares after obtaining the approval of the CMA.

17.8 Acknowledgments by Subscribers

By completing and delivering the Subscription Application Form, each Subscriber:

- Agrees to subscribe to the number of Offer Shares specified in the Subscription Application Form;
- Declares that he/she has read this Prospectus and understood all its content;
- Accepts the Bylaws and all Offering instructions and terms mentioned in this Prospectus and the Subscription Application Form, and subscribes in the Offer Shares accordingly;
- Declares that neither himself nor any of his family members included in the Subscription Application Form have previously subscribed for any Shares and that the Company has the right to reject any or all duplicate applications;
- Accepts the number of Offer Shares allocated to him/her (to the maximum of the amount subscribed for) as per the Subscription Application Form; and
- Warrants not to cancel or amend the Subscription Application Form after submitting it to the Receiving Agent.

17.9 Record of Shares and Trading Arrangements

The Company shall keep a shareholders' record containing their names, nationalities, addresses, professions, the shares held by them, and the amounts paid for these shares.

17.10 Saudi Stock Exchange (Tadawul)

In 1990G, the full electronic trading of equities was introduced in the Kingdom of Saudi Arabia. Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. Trading in shares occurs on the Tadawul system through a fully integrated trading system covering the entire trading process from execution of the trade transaction through its settlement. Trading occurs on each business day of the week between 10:00am and 3:00pm from Sunday to Thursday, during which orders are executed. However, during other than those times, orders can be entered, amended, or canceled from 9:30am to 10:00am. The said times are subject to change during the month of Ramadan and are announced by Tadawul Management. Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders place at a price limit), provided that, if several orders are generated at the same price, they are executed according to the time of entry. Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link, which supplies trading data in real time to information providers such as Reuters. Exchange transactions are settled on a T+2 basis, i.e. share ownership transfers takes two business days after the trade transaction is executed.

Listed Companies are required to disclose all material decisions and information that are important for the investors via Tadawul. Surveillance and monitoring are the responsibility of Tadawul as the operator of the market to ensure fair trading and an orderly market.

17.11 Trading of the Company's Shares

It is expected that dealing in the Shares will commence on Tadawul after finalization of the allocation process and the announcement of the start date of trading by Tadawul. Following listing, Saudi nationals, non-Saudi nationals holding valid residency permits in the Kingdom, GCC nationals, companies, banks, and investment funds will be permitted to trade in the Offer Shares once they are traded on the Exchange. Moreover, Qualified Foreign Investors and Approved QFI Clients will be permitted to trade in the Shares in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Shares. Non-Saudi nationals living outside the Kingdom and institutions registered outside the Kingdom will also have the right to invest indirectly to acquire economic benefits in the Shares by entering into SWAP agreements with Authorized Persons to acquire, hold, and trade in the Shares on the Exchange on behalf of a foreign non-GCC investor. It should be noted that Authorized Persons shall be deemed the legal owners of the Shares under the SWAP agreements.

Furthermore, Shares can only be traded after allocated Offer Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered and its Shares listed on the Exchange. Pre-trading in Shares is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company and the Selling Shareholders shall have no legal responsibility in connection with pre-trading activities.

17.12 Miscellaneous

The Subscription Application Form and all related terms, conditions, and covenants hereof shall be binding upon and inure to the benefit of the parties to the Subscription and their respective successors, permitted assigns, executors, administrators, and heirs provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests, or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the Subscription without the prior written consent of the other party.

These instructions, as well as the conditions and the receipt of any Subscription Application Forms or related contracts, shall be governed, construed, and enforced in accordance with the laws of the Kingdom of Saudi Arabia.

This Prospectus has been released in both Arabic and English and the Arabic version is the only one approved by the CMA. In the event of a discrepancy between the English and the Arabic text, the Arabic text of this Prospectus shall prevail.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than Saudi Arabia are expressly prohibited except for the Institutional Investors subject to the applicable laws and instructions. Recipients of this Prospectus are required to inform themselves of any regulatory restrictions relevant to the Offer Shares and to observe all such restrictions.

18. Documents Available for Inspection

The following documents will be available for inspection at the Company's head office located at Pearl Centre, King Abdul Aziz Road, P.O. Box 16116, Riyadh 11464, Kingdom of Saudi Arabia, between 9:00 am and 4:00 pm from 19/06/1440H (corresponding to 24/02/2019G) until 14/07/1440H (corresponding to 21/03/2019G) for a period of no less than 20 days prior to the end of the Offering Period.

- a- CMA announcement of the approval of the Offering.
- b- The Company's General Assembly resolution approving the Offering dated 28/03/1440H (corresponding to 06/12/2018G).
- c- The Company's Bylaws, together with any other constitutional documents.
- d- Financial Valuation Report prepared by the Financial Advisor.
- e- Company's commercial registration certificate issued by the MCI.
- f- Consolidated Audited Financial Statements for the financial years ended 31 December 2015G, 2016G and 2017G, and for the six months ended 30 June 2018G.
- g- Market study report prepared by the Market Consultant.
- h- All other reports, letters, documents, value and data assessments prepared by any expert, including any part thereof mentioned in this Prospectus.
- i- Contracts with related parties.
- j- Letters of consent from:
  - 1- Financial Advisor, Lead Manager, Bookrunner, and Underwriter (Saudi Fransi Capital) for the inclusion of its name and logo in this Prospectus;
  - 2- Public Accountant (Ernst & Young) for the inclusion of its name and logo as Auditor of the Company, along with the audit reports for the same years and the six months ended 30 June 2018G in this Prospectus;
  - 3- The Financial Due Diligence Advisor (KPMG Al Fozan and Partners) for the inclusion of its name, logo, and statements, if any, in this Prospectus;
  - 4- The Market Consultant, International Data Corporation (IDC), for the inclusion of its name, logo, and statements in this Prospectus;
  - 5- The Legal Advisor, Law Firm of Salah Al-Hejailan (LFSH), for the inclusion of its name, logo and statements in this Prospectus.
- k- Underwriting Agreement.

19. Financial Statements and Auditors' Report

This section contains the Audited Financial Statements for the financial years ended 31 December 2015G, 2016G and 2017G, and the accompanying notes thereto, prepared in compliance with the accounting standards promulgated by SOCPA and audited by Ernst & Young (Public Accountants). This section also includes the interim Audited Financial Statements of the Company for the six-month period ended 30 June 2018G, and the accompanying notes thereto, in accordance with IAS (34) and IFRS (1,) which have been audited by Ernst & Young.

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

Interim Financial Statements

For The Six Month Period Ended 30 June 2018

Building a better working world

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
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Al Faisaliah Office Tower - 14th floor
King Fahad Road
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Kingdom of Saudi Arabia

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Al Moammar Information Systems Company
(A Saudi Closed Joint Stock Company)

Opinion
We have audited the interim financial statements of Al Moammar Information Systems Company (A Saudi Closed Joint Stock Company) (the "Company"), which comprise the interim statement of financial position as at 30 June 2018, and the interim statement of comprehensive income, interim statement of changes in shareholders' equity and interim statement of cash flows for the six-month period then ended, and notes to the interim financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying interim financial statements present fairly, in all material respects, the interim financial position of the Company as at 30 June 2018, and its interim financial performance and its interim cash flows for the six-month period then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRSs as endorsed in KSA").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in KSA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the interim Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in KSA that are relevant to our audit of the interim 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.

Other matter
We were not engaged to audit the interim financial statements of the Company as at and for the six month period ended 30 June 2017. Accordingly, the comparative numbers as at and for six month period ended 30 June 2017 are unaudited.

Responsibilities of Management and those Charged with Governance for the interim Financial Statements
Management is responsible for the preparation and fair presentation of the interim financial statements in accordance with IFRSs as endorsed in KSA, and for such internal control as management determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Building a better working world

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Al Moammar Information Systems Company
(A Saudi Closed Joint Stock Company) (continued)

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the interim financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the interim financial statements, including the disclosures, and whether the interim financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Al Moammar Information Systems Company
(A Saudi Closed Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the interim Financial Statements (continued)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young

Yousef A. AlMubarak
Certified Public Accountant
License No. 427

Riyadh: 4 Rabi Thani 1440H
(11 December 2018)

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2018

	Notes	30 June 2018 SR	30 June 2017 Restated (Note 27.5) (Unaudited) SR
Revenue from contracts	6	**395,520,080**	253,952,481
Direct cost		**(349,150,096)**	(225,894,120)
Gross profit		**46,369,984**	28,058,361
Selling and marketing expenses	7	**(5,011,175)**	(6,142,279)
General and administrative expenses	8	**(17,217,738)**	(19,604,273)
Operating income		**24,141,071**	2,311,809
Share of loss of associates	15	**(1,861,532)**	(1,623,581)
Finance cost	9	**(9,109,219)**	(7,906,596)
Finance income		**1,600,199**	370,135
Other income		**167,323**	410,953
Income (loss) before zakat		**14,937,842**	(6,437,280)
Zakat	10	**(3,123,253)**	(2,427,097)
Net income (loss) for the period		**11,814,589**	(8,864,377)
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Re-measurement gains of employee defined benefit liabilities	22	**1,449,000**	2,829,000
Total comprehensive income (loss) for the period		**13,263,589**	(6,035,377)
Earnings (loss) per share (SR):			
Basic and diluted earnings (loss) per share	11	**2.65**	(1.21)

The attached notes 1 to 34 form part of these interim financial statements.

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 SR	31 December 2017 Restated (Note 27) SR	1 January 2017 Restated (Note 27) SR
ASSETS				
Non-current assets				
Trade receivables (non-current portion)	16	**38,115,501**	38,449,164	24,505,626
Property and equipment	12	**9,213,783**	9,101,437	890,750
Intangible assets	13	**1,451,666**	1,035,348	765,205
Investments at fair value through other comprehensive income	14	**1,210**	1,185	43,850
Investments in associates	15	**199,051**	2,060,583	2,585,468
Total non-current assets		**48,981,211**	50,647,717	28,790,899
Current assets				
Trade receivable, prepayments and others	16	**358,367,762**	342,868,737	315,516,506
Contract assets	17	**330,842,823**	247,215,994	143,043,492
Work in progress		**136,089,010**	86,276,304	63,521,531
Cash and cash equivalents	18	**28,160,013**	55,814,301	50,686,661
Total current assets		**853,459,608**	732,175,336	572,768,190
Total assets		**902,440,819**	782,823,053	601,559,089
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	19	**50,000,000**	50,000,000	50,000,000
Statutory reserve	20	**25,000,000**	25,000,000	25,000,000
Retained earnings		**85,131,555**	83,420,226	78,560,418
Revaluation reserve for investments at fair value through other comprehensive income		**-**	-	216
Total shareholders' equity		**160,131,555**	158,420,226	153,560,634
Liabilities				
Non-current liabilities				
Contract liabilities (non-current portion)		**94,530,334**	120,494,418	26,037,256
Employees defined benefit liabilities	22	**18,711,419**	18,137,000	17,510,000
Total non-current liabilities		**113,241,753**	138,631,418	43,547,256
Current liabilities				
Short-term loans	23	**213,149,712**	179,103,504	162,182,837
Trade and other payables	24	**320,201,848**	204,552,111	169,957,593
Contract liabilities		**91,592,609**	62,642,628	65,275,992
Dividends payable	21	**1,000,089**	33,000,000	-
Zakat payable	10	**3,123,253**	6,473,166	7,034,777
Total current liabilities		**629,067,511**	485,771,409	404,451,199
Total liabilities		**742,309,264**	624,402,827	447,998,455
Total shareholders' equity and liabilities		**902,440,819**	782,823,053	601,559,089

The attached notes 1 to 34 form part of these interim financial statements

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months period ended 30 June 2018

	Share capital SR	Statutory reserve SR	Retained earnings SR	Revaluation reserve for investments at fair value through other comprehensive income SR	Total shareholders equity SR
At 1 January 2017	50,000,000	25,000,000	95,790,765	216	**170,790,981**
IFRS adjustments (note 27)	-	-	(9,655,322)	-	**(9,655,322)**
Prior year adjustments (note 27)	-	-	(7,575,025)	-	**(7,575,025)**
At 1 January 2017, restated	50,000,000	25,000,000	78,560,418	216	**153,560,634**
Net loss for the period (restated)	-	-	(8,864,377)	-	**(8,864,377)**
Other comprehensive income	-	-	2,829,000	-	**2,829,000**
Total comprehensive loss for the period	-	-	(6,035,377)	-	**(6,035,377)**
Disposal of investments at fair value through other comprehensive income	-	-	-	(216)	**(216)**
Dividends (note 21)	-	-	(4,060,518)	-	**(4,060,518)**
At 30 June 2017, (unaudited)	50,000,000	25,000,000	68,464,523	-	**143,464,523**
Net income for the remainder of the period (restated, note 27)	-	-	60,485,666	-	**60,485,666**
Other comprehensive income for the remainder of the period	-	-	1,551,000	-	**1,551,000**
Total comprehensive income for the remainder of the period	-	-	62,036,666	-	**62,036,666**
Dividends (note 21)	-	-	(47,080,963)	-	**(47,080,963)**
At 31 December 2017, restated	50,000,000	25,000,000	83,420,226	-	**158,420,226**

The attached notes 1 to 34 form part of these interim financial statements

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

For the six months period ended 30 June 2018

	Share Capital SR	Statutory reserve SR	Retained earnings SR	Revaluation reserve for investments at fair value through other comprehensive income SR	Total equity SR
At 1 January 2018, restated	50,000,000	25,000,000	83,420,226	-	**158,420,226**
Net income for the period	-	-	11,814,589	-	**11,814,589**
Other comprehensive income	-	-	1,449,000	-	**1,449,000**
Total comprehensive income for the period	-	-	13,263,589	-	**13,263,589**
Dividends (note 21)	-	-	(11,552,260)	-	**(11,552,260)**
At 30 June 2018	50,000,000	25,000,000	85,131,555	-	**160,131,555**

The attached notes 1 to 34 form part of these interim financial statements

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2018

	30 June 2018 SR	30 June 2017 (Unaudited) SR
Operating activities		
Income (loss) before zakat	**16,386,842**	(3,608,280)
Adjustments to reconcile income (loss) before zakat to net cash flows from:		
Employee defined benefit liabilities	**2,322,000**	2,114,657
Provision for credit losses	**-**	(3,689,424)
Share of loss of associates	**1,861,532**	1,623,581
Depreciation	**197,219**	135,729
Amortization	**214,851**	143,916
Finance charges	**6,403,284**	5,562,944
	27,385,728	2,283,123
Working capital adjustments:		
Trade receivables, prepayments and others	**(15,165,387)**	(62,024,632)
Contract assets	**(83,626,829)**	58,676,987
Work in progress	**(49,812,706)**	52,379,573
Trade and other payables	**115,649,737**	(8,186,122)
Contract liabilities	**2,985,897**	(33,537,291)
	(2,583,560)	9,591,638
Employee defined benefit liabilities paid	**(1,747,581)**	(1,350,657)
Finance charges paid	**(6,403,284)**	(5,562,944)
Zakat paid	**(6,473,166)**	(7,034,777)
Net cash flows used in operating activities	**(17,207,591)**	(4,356,740)
Investing activities		
Purchase of property and equipment	**(309,565)**	(79,309)
Purchase of investment	**-**	(93,690)
Purchase of intangible assets	**(631,169)**	(162,097)
Net cash flows used in investing activities	**(940,734)**	(335,096)
Financing activities		
Repayment of short-term loans	**(191,663,767)**	(179,143,240)
Proceeds from short-term loans	**225,709,975**	192,794,652
Dividends paid	**(43,552,171)**	(4,060,518)
Net cash flows (used in) from financing activities	**(9,505,963)**	9,590,894
Net (decrease) increase in cash and cash equivalents	**(27,654,288)**	4,899,058
Cash and cash equivalents at the beginning of the period	**55,814,301**	50,686,661
Cash and cash equivalents at the end of the period	**28,160,013**	55,585,719

The attached notes 1 to 34 form part of these interim financial statements

1. CORPORATE INFORMATION

Al Moammar Information Systems Company (the "Company") is a Saudi Closed 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 address of the Company's registered office is Pearl Centre, King Abdulaziz road, P.O.Box 16116, Riyadh 11464, Kingdom of Saudi Arabia.

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

Commercial registration Number	Date	Location
4030097824	8 Rabi Awal 1414H	Jeddah
1010431114	19 Jumad Awal 1436H	Riyadh
1010432047	12 Jumad Thani 1436H	Riyadh
2051011413	17 Rabi Awal 1407H	Al-Khobar
4030288661	4 Rajab 1437H	Jeddah
1010063470	10 Muhurram 1407 H	Riyadh

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These are the Company's first interim financial statements prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in KSA and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA") for the part of the period (i.e. as at and for the six-month period ended 30 June 2018) covered by the first annual financial statements in accordance with IFRS as endorsed in KSA as at and for the year ending 31 December 2018. Accordingly, IFRS 1 "First time adoption of International Financial Reporting Standards" endorsed in KSA has been applied. Changes to significant accounting policies are described in note (3) to the interim financial statements. Refer to note (27) for further information.

When the Company prepares its first complete set of financial statements in accordance with IFRSs as endorsed in KSA as at and for the year ending 31 December 2018, they will be prepared in accordance with the Standards and Interpretations in effect as at that date and as endorsed in KSA.

2.2 Preparation of interim financial statements

(i) Accounting convention

These interim financial statements have been prepared on a historical cost basis except for the employee defined benefit liability. These has been actuarially valued.

(ii) Presentation currency

The Company's financial statements are presented in Saudi Riyals (SR), which is also the Company's functional currency.

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

Estimates and assumptions

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

Long-term assumptions for employee benefits

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

Provisions

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

Impairment test of non-financial assets

Impairment exists when the carrying value of an asset or Cash Generating Unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing off the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next four to six years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

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

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

Provision for doubtful debts

The Company reviews its accounts receivable and contract assets at each reporting date to assess whether a provision for doubtful debts should be recorded in the statement of comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision. Refer to note (16) for further information.

Economic useful lives of property and equipment

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The Company periodically reviews estimated useful lives and the depreciation method to ensure that the method and year of depreciation are consistent with the expected pattern of economic benefits derived from these assets.

4. SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification

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

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

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

A liability is classified as current when:

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

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

Revenue recognition

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The new revenue standard introduces a single principle-based five-step model for the recognition of revenue when control of a good is transferred to or a service performed for the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price, and recognize revenue when the performance obligation is satisfied.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

IFRS 15 also requires enhanced disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers, and improves the comparability of revenue from contracts with customers. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

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

The Company has applied following practical expedients:

- The Company does not adjust the promised amount of consideration for the effects of significant financing component where period between delivery of promised services and payment from customer is one year or less.
- For periods before the date of initial application, the Company does not provide disclosures for remaining performance obligations.
- The Company does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognize that amount as revenue for periods prior to the date of transition to IFRSs as endorsed in KSA.

The Company recognizes revenue as and when customer receives and consumes the services provided by the Company over a period of time i.e. number of days services are provided, which is in line with the requirements of IFRS 15. Accordingly, there is no material effect of adopting IFRS 15 on the recognition of revenue of the Company.

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when the services are rendered to customers. Contract revenues are recognized based on manpower services provided to the customers (the services represent the performance obligation of the contract) over the terms of these agreements.

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 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) is satisfied either point in time or over time. There was no restatement due to this change as the Company's policy is already in line with the requirements of IFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Contract costs

Contract costs are recognized as an expense unless the Company has a reasonable expectation to recover these costs from its customers and in cases where these costs are recoverable from the customers. The Company amortize these costs either point in time or on a systematic basis, consistent with the transfer to the customer of the services. The Company recognizes contract costs if:

- The costs relate directly to a contract or to an anticipated contract that the Company can specifically identify.
- The costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- The incremental costs of obtaining a contract with a customer is expected to recovered.
- Those costs would not have incurred if the contract had not been obtained or if an anticipated contracts has not been identified by the Company.
- The costs that directly relates to a contract (or a specific anticipated contract) includes:

  a- direct labour;
  b- direct materials;
  c- allocation costs that directly relate to the contract or to contract activities;
  d- costs that are explicitly chargeable to the customer under the contract; and
  e- other costs that are incurred only because the entity entered into the contract.

Contract assets and liabilities

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

Principal versus agent consideration

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

Presentation and disclosure requirements

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 (6) for the disclosure on disaggregated revenue.

The Company recognizes revenue from the following major sources:

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Sale of computer equipment and hardware

The Company supplies computer equipment and hardware to Government and Private sector customers in the Kingdom of Saudi Arabia. Warranties associated with the sale of computer equipment and hardware are provided by principal vendors.

Revenue is recognised when control of the equipment has transferred, generally on delivery of the equipment.

Sale of software license

Revenue from software license sales is recognized when the company transfers the control of services to a customer. Accordingly, the revenue from license sale 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 other 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 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 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 time.

Other income

Other income is recognized when earned.

Costs and expenses

Costs which are directly related to goods or services provided are classified as direct cost. Expenses which are attributable to marketing and promotional activities are classified as marketing expenses. All other indirect expenses are classified as general and administration expenses.

Leases

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Company does not have any finance leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Employee defined benefit liabilities

The employee defined benefit liability is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a corresponding debit charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other income are reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- remeasurements

The Company presents the first two components of defined benefit costs in profit or loss in relevant line items.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, air tickets and sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Retirement benefits

Retirement benefits made to defined contribution plans are expensed when incurred.

Zakat

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Income Tax (“GAZT”), and the provision is charged to the statement of comprehensive income. Zakat are provided on an accrual basis. The zakat charge is computed on the higher of zakat base or adjusted net income. Any difference in the estimate is recorded when the final assessment is approved.

Property and equipment

Property and equipment, except land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land and capital work-in-progress are stated at cost less impairment in value, if any.

Historical cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes accounted for on a prospective basis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

The Company applies the following annual rates of depreciation to its property and equipment:

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income when the asset is derecognized.

Work in progress

Contract work in progress consists of material, labour and attributable overheads.

Contract work in progress is recorded at cost.

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 assessment and impairment whenever there is indication that Intangible assets may be impaired. The amortization period and the amortization method are reviewed atlest at the end of each reporting period. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the statement of comprehensive income in the expense category that is consistent with the function of the 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.

The Company applies an annual rates of amortization of 20% to its intangible assets.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial asset to determine whether there is any indication that those assets have suffered an impairment loss. Assets that have indefinite useful life, for example land, are tested annually for impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income.

Investments in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Company's investment in associate is accounted for using the equity method. Under the equity method, the investment in associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in Company's share of net assets of the associate since the acquisition date.

The financial statements of the associate is prepared for the same period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in associates. The Company determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognise the loss as "share of profit of associate" in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at fait value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognized in statement of comprehensive income.

Dividends

The Company recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the Company. A corresponding amount is recognized directly in statement of changes in shareholders' equity.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks, all of which are available for use by the Company unless otherwise stated and have maturities of three months or less, which are subject to insignificant risk of changes in values.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies transactions

Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., the translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

Financial instruments

IFRS 9 required financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through Other Comprehensive Income ("OCI") and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option to present fair value changes in OCI. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in OCI rather than the statement of comprehensive income, unless this creates an accounting mismatch.

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

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

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

The effect of adopting IFRS 9 is disclosed in note (27) to the interim financial statements which pertains to the new impairment requirements and reclassification of original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Recognition and initial measurement

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

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

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

Financial assets

Classification of financial assets

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

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

a- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

b- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets (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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Subsequent measurement

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in statement of comprehensive income.

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

Finance income is recognized by applying the effective interest rate.

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

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in the statement of comprehensive incomeunless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in the statement of comprehensive income and are never reclassified to profit or loss.

Reclassifications

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

Derecognition

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition (continued)

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

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

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

- financial assets measured at amortized cost; and
- contract assets

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

Macroeconomic weighted average scenarios

The Company includes macroeconomic factor of GDP to develop scenarios with the realization of most likely outcome using worst and best case scenarios. The scenario-based analysis incorporates forward-looking information into the impairment estimation using multiple forward-looking macroeconomic scenarios. The estimate of expected credit losses reflects an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes.

Specific provision

Specific provision is recognized on customer to customer basis at every respective reporting date. The Company recognizes specific provision against receivables from certain customers. Provisions are reversed only when the outstanding amounts are recovered from the customers.

Write-off

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

Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities (continued)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms,

or the terms of an existing liability are substantially modified, such an exchange or modification is treated as

the derecognition of the original liability and the recognition of a new liability. The difference in the respective

carrying amounts is recognized in the statement of comprehensive income.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

Fair value measurement

The Company measures financial instruments such as equity instruments designated as at FVOCI, at fair value at each reporting date.

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

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using 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 by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

For assets and liabilities that are recognized in the financial statements 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 period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The Company determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. The involvement of external valuers is decided by the Company after discussion and approval by the Company's management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case. At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be remeasured 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.

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

Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are discussed in note 29.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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 its operations are continuously analysed by management in order to make decisions related to resource allocation and performance assessment; and
- for which discrete financial information is available.

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:

E-Services Unit, Solutions Unit, Systems Unit, Information Security System Unit (ISSU), Networking Unit and Operation and Maintenance Unit

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting (continued)

A geographical segment is a Company 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.

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

5. Application of new and revised International Financial REPORTING STANDARDS (IFRS)

5.1 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's interim financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Company plans to adopt IFRS 16 from 1 January 2019 and is in the process of detailed impact assessment.

6. REVENUE FROM CONTRACTS

Disaggregation of revenue

Set out below is the disaggregation of Company's revenue from contracts:

Type of goods or service

	30 June 2018 SR	30 June 2017 (Unaudited) SR
Sale of computer equipment and hardware	**131,213,742**	48,852,668
Sale of software license	**73,893,603**	37,031,553
Sale of maintenance	**87,510,291**	83,715,827
Supply of manpower	**63,152,400**	42,493,685
Revenue from other services	**39,750,044**	41,858,748
	395,520,080	253,952,481

Timing of revenue recognition

At a point in time items

	30 June 2018 SR	30 June 2017 (Unaudited) SR
Sale of computer equipment and hardware	**131,213,742**	48,852,668
Sale of software license	**73,893,603**	37,031,553
	205,107,345	85,884,221

Over time

	30 June 2018 SR	30 June 2017 (Unaudited) SR
Sale of maintenance	**87,510,291**	83,715,827
Supply of manpower	**63,152,400**	42,493,685
Revenue from other services	**39,750,044**	41,858,748
	190,412,735	168,068,260
Total	**395,520,080**	253,952,481

Type of customers

	30 June 2018 SR	30 June 2017 (Unaudited) SR
Government	**234,710,514**	111,891,832
Non-government	**126,561,478**	111,571,226
Semi-government	**34,248,088**	30,489,423
	395,520,080	253,952,481

7. SELLING AND MARKETING EXPENSES

	30 June 2018 SR	30 June 2017 (Unaudited) SR
Employee related costs	**4,400,720**	4,404,125
Advertising and sales promotion	**610,455**	1,738,154
	5,011,175	6,142,279

8. GENERAL AND ADMINISTRATIVE EXPENSES

	30 June 2018 SR	30 June 2017 (restated - note 27) (Unaudited) SR
Employees' costs	**12,880,792**	11,357,446
Operating lease costs (note 26)	**1,179,670**	1,263,598
Office supplies	**1,024,917**	317,038
Professional fees	**711,498**	406,611
Travel	**354,270**	204,768
Withholding tax expense	**328,962**	947,358
Amortization (note 13)	**214,851**	143,916
Depreciation (note 12)	**197,219**	135,729
Provision for credit losses	**-**	3,689,424
Others	**325,559**	1,138,385
	17,217,738	19,604,273

9. FINANCE COST

	30 June 2018 SR	30 June 2017 (restated - note 27) (Unaudited) SR
Finance charges on short-term loans	**4,661,696**	3,700,795
Finance charges on trade receivables (non-current portion)	**2,705,935**	2,343,652
Finance charges on letters of credit and guarantee	**797,029**	654,544
Others	**944,559**	1,207,605
	9,109,219	7,906,596

10. ZAKAT

The zakat charge of the current period consist of the current period provision of SR 3,123,253 (30 June 2017: SR 2,427,097).

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

	30 June 2018 SR	31 December 2017 SR	1 January 2017 SR
Equity	**73,978,399**	152,649,284	134,707,060
Opening allowances and other adjustments	**33,768,616**	29,464,631	32,424,812
Book value of long term assets	**(5,855,024)**	(8,073,323)	1,792,547
	101,891,991	174,040,592	168,924,419
Zakatable income for the period/year	**23,038,144**	84,886,065	43,928,309
Zakat base	**124,930,135**	258,926,657	212,852,728

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

:The movement in zakat payable is as follows

	30 June 2018 SR	31 December 2017 SR	1 January 2017 SR
Balance at beginning of the period/year	**6,473,166**	7,034,777	7,044,753
Charged for the period	**3,123,253**	6,473,166	5,321,018
Paid during the period/year	**(6,473,166)**	(5,321,318)	(4,882,521)
Reclassification	**-**	(1,713,459)	(448,473)
Balance at end of the period/year	**3,123,253**	6,473,166	7,034,777

Status of assessments

The Company has finalized its zakat and withholding tax assessment with the General Authority for Zakat and Tax (“GAZT”) up to year 2007 and obtained the final zakat and withholding tax certificate. The Company has filed the zakat and withholding tax returns for the years from 2008 to 2017, which are still under review by GAZT and Company has recognized the liability after taking into account the advice from its zakat advisor.

During 2011, the Company received final assessment with the GAZT for the years 2006 and 2007 for which showed an additional withholding tax liability of SR 6,097,791. The Company filed an appeal against the assessment with the Board of Grievance (BOG), paid the total amount under protest and recognized it in the statement of comprehensive income. However, during the period the BOG has ruled the case in favor of the GAZT. Eventually, the Company has remitted the amount of penalties amounting to SR 2,700,000 to GAZT which was already available in the form of a bank guarantee with the authorities.

11. earnings (LOSS) per share

Basic earnings per share is calculated by dividing the total comprehensive income (loss) for the period attributable to equity shareholders of the Company by the weighted average number of shares for the periods ended 30 June 2018 and 2017.

	2018 SR	2017 (Unaudited) SR
Comprehensive income (loss) for the period attributable to equity holders of the company	**13,263,589**	(6,035,377)
Weighted average number of shares for the purpose of basic earnings per share	**5,000,000**	5,000,000
Basic and diluted earnings (loss) per share	**2.65**	(1.21)

The Company does not have potentially dilutive shares and accordingly, diluted earnings per share equals basic earnings per share.

12. PROPERTY AND EQUIPMENT

Cost	Land SR	Equipment SR	Motor vehicles SR	Furniture and fixtures SR	Capital Work in Progress SR	Total SR
As at 1 January 2018	8,122,900	10,303,260	1,166,787	1,831,376	-	**21,424,323**
Additions	-	121,385	-	490	187,690	**309,565**
30 June 2018	8,122,900	10,424,645	1,166,787	1,831,866	187,690	**21,733,888**
Accumulated depreciation						
As at 1 January 2018	-	9,629,557	1,072,754	1,620,575	-	**12,322,886**
Depreciation	-	134,952	7,620	54,647	-	**197,219**
30 June 2018	-	9,764,509	1,080,374	1,675,222	-	**12,520,105**
Net book value:						
At 30 June 2018	8,122,900	660,136	86,413	156,644	187,690	**9,213,783**

12. PROPERTY AND EQUIPMENT (continued)

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

13. INTANGIBLE ASSETS

	ERP Software Application Dynamics SR	Application Development Project SR	Other software SR	Total SR
Cost				
As at 1 January 2018	712,471	4,532,387	2,178,153	**7,423,011**
Additions	-	-	631,169	**631,169**
30 June 2018	712,471	4,532,387	2,809,322	**8,054,180**
Amortization				
As at 1 January 2018	712,468	4,532,387	1,142,808	**6,387,663**
Amortization (note 8)	3	-	214,848	**214,851**
30 June 2018	712,471	4,532,387	1,357,656	**6,602,514**
Net book value :				
At 30 June 2018	-	-	1,451,666	**1,451,666**

	ERP Software Application Dynamics SR	Application Development Project SR	Other software SR	Total SR
Cost				
1 January 2017	712,471	4,532,387	1,600,891	**6,845,749**
Additions	-	-	577,262	**577,262**
31 December 2017	712,471	4,532,387	2,178,153	**7,423,011**
Amortization				
1 January 2017	712,468	4,532,387	835,689	**6,080,544**
Amortization	-	-	307,119	**307,119**
31 December 2017	712,468	4,532,387	1,142,808	**6,387,663**
Net book value:				
31 December 2017	3	-	1,035,345	**1,035,348**
1 January 2017	3	-	765,202	**765,205**

14. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2018 SR	31 December 2017 SR	1 January 2017 SR
Investments at fair value through other comprehensive income	1,210	1,185	43,850

15. INVESTMENTS IN ASSOCIATES

The Company has investments in below associates:

Name of associate	Principal activity	Place of incorporation and principal place of business	Voting rights held
Edarat Group SAL	Technology based solutions	Lebanon	50%
Edarat Co. for Communication and Information Technology	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%

All of the above investments are accounted for using the equity method in these financial statements. None of the associates is considered material to the Company.

The movement in investment in associate was as follows:

	Edarat Group SAL SR	Edarat Co. for Communication and Information Technology SR	Phoenicia Tech Worldwide Inc. - BVI SR	Total SR
1 January 2017	224,723	1,279,508	1,081,237	**2,585,468**
Share in net income (loss) for the year	567	(487,603)	(37,849)	**(524,885)**
31 December 2017	225,290	791,905	1,043,388	**2,060,583**
Share in net loss for the period	(26,239)	(791,905)	(1,043,388)	**(1,861,532)**
30 June 2018	199,051	-	-	**199,051**

The following table illustrates the summarized aggregated financial information of Company's investment in associates.

	30 June 2018 SR	31 December 2017 SR
Current assets	**15,040,035**	12,046,744
Non-current assets	**1,209,497**	1,170,489
Current liabilities	**7,190,322**	3,562,920
Non-current liabilities	**10,145,038**	7,117,024
	(1,085,828)	2,537,289

15. INVESTMENTS IN ASSOCIATES (continued)

	For the six month period ended 30 June 2018 SR	For the six month period ended 30 June 2017 SR
Sales	**6,574,747**	22,281,912
Cost of sales	**(8,470,183)**	(18,563,131)
Gross (loss) profit	**(1,895,436)**	3,718,781
General and administration expenses	**(2,090,169)**	(4,532,152)
Other income	**5,217**	4,127
Finance charges	**(53,134)**	(77,850)
Net loss	**(4,033,522)**	(887,094)

16. TRADE RECEIVABLES, PREPAYMENTS AND OTHERS

	30 June 2018 SR	31 December 2017 (restated – note 27) SR	1 January 2017 (restated – note 27) SR
Trade receivables	**374,000,557**	367,787,877	329,022,897
Provision for expected credit losses	**(2,205,941)**	(2,205,941)	(5,730,111)
	371,794,616	365,581,936	323,292,786
Less: Non-current portion	**(38,115,501)**	(38,449,164)	(24,505,626)
Trade receivables, non-current portion	**333,679,115**	327,132,772	298,787,160
Margin on letters of credit and guarantee	**12,229,600**	8,663,778	8,913,124
Prepaid expenses	**3,345,525**	1,757,496	1,954,070
Advances to suppliers	**3,161,531**	2,759,031	4,244,347
Value added tax receivable, net	**2,357,709**	-	-
Advances to employees	**1,016,018**	1,012,343	1,064,769
Amounts due from related parties (note 25)	**830,767**	690,971	9,611
Other receivables	**2,541,650**	1,646,499	1,277,578
Less: provision for advances to suppliers	**(794,153)**	(794,153)	(734,153)
	358,367,762	342,868,737	315,516,506

16. TRADE RECEIVABLE, PREPAYMENTS AND OTHERS (continued)

	30 June 2018 SR	31 December 2017 (restated– note 27) SR	1 January 2017 (restated– note 27) SR
Trade receivables–current portion	**335,420,787**	329,144,102	303,897,843
Provision for expected credit losses–current portion	**(1,741,672)**	(2,011,330)	(5,110,683)
	333,679,115	327,132,772	298,787,160
Trade receivables – non-current portion	**38,579,770**	38,643,775	25,125,054
Provision for expected credit losses – non-current portion	**(464,269)**	(194,611)	(619,428)
	38,115,501	38,449,164	24,505,626
Total trade receivables	**374,000,557**	367,787,877	329,022,897
Total provision for expected credit losses	**(2,205,941)**	(2,205,941)	(5,730,111)
	371,794,616	365,581,936	323,292,786

Trade receivables

The average credit period on sales of goods is 120 days. No interest is charged on outstanding trade receivables.

Trade receivable comprise of interest free net receivables due from customers with no credit rating. Unimpaired trade receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and vast majority are, therefore, unsecured.

The Company has adopted IFRS 9, using the retrospective transitional method, and has restated comparative information for prior periods presented with respect to the changes resulting from the measurement of financial assets and financial liabilities.

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

	Total	Below 6 months	6 months – 1 year	1– 2 years	2 - 3 years	Above 3 years
30 June 2018	**374,000,557**	**241,958,201**	**93,620,310**	**19,961,049**	**11,842,793**	**6,618,204**
31 December 2017	367,787,877	289,707,909	29,866,037	27,721,873	15,214,374	5,277,684
1 January 2017	329,022,897	215,929,236	30,260,800	60,799,188	15,375,622	6,658,051

The movement of provision for expected credit losses was as follows:

	30 June 2018 SR	31 December 2017 (restated – note 27) SR	1 January 2017 SR
Balance at the beginning of the period/year	**2,205,941**	5,730,111	5,330,950
Charged during the period/year	**-**	2,205,941	399,161
Amounts written off during the period/year	**-**	(5,730,111)	-
Balance at the end of the period/year	**2,205,941**	2,205,941	5,730,111

17 Contract assets

	30 June 2018 SR	31 December 2017 (restated – note 27) SR	1 January 2017 SR
Contract assets	**333,646,303**	250,019,474	143,043,492
Provision for expected credit losses	**(2,803,480)**	(2,803,480)	-
	330,842,823	247,215,994	143,043,492

18 CASH AND CASH EQUIVALENTS

	30 June 2018 SR	31 December 2017 SR	1 January 2017 SR
Cash at banks	**28,010,657**	55,814,301	47,986,661
Cash on hand	**149,356**	-	-
Short-term deposits	**-**	-	2,700,000
	28,160,013	55,814,301	50,686,661

19. SHARE CAPITAL

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

20. Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies and the Company's By-laws, the Company must transfer 10% of its annual net income to the statutory reserve until the reserve equals 30% of the share capital. Due to the transfers made in prior years, the reserve reached 50% of the share capital, the shareholders decided to maintain such reserve. The reserve is not available for distribution.

21. Dividends

The board of directors in their meetings held on 30 June 2017 and on 31 December 2017 approved the distribution of interim dividends of SR 0.81 per share amounting to SR 4.06 million and SR 9.42 per share amounting to SR 47.98 million respectively that was approved by Annual General meeting held on 3 June 2018.

During the period, the board of directors in their meeting held on 27 June 2018 approved the distribution of interim dividends of SR 2.2 per share amounting to SR 11.5 million.

22. EMPLOYEES DEFINED BENEFIT LIABILITIES

	30 June 2018 SR	31 December 2017 SR
Balance at beginning of the period/year	18,137,000	17,510,000
Current service cost	3,400,000	6,010,000
Interest cost	371,000	718,000
Paid during the period/year	(1,747,581)	(1,721,000)
Actuarial gain	(1,449,000)	(4,380,000)
Balance at end of the period/year	18,711,419	18,137,000

22. EMPLOYEES DEFINED BENEFIT LIABILITIES (continued)

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	30 June 2018 %	31 December 2017 %	1 January 2017 %
Discount rate	**5.00%**	4.50%	4.50%
Rate of salary increases	**5.50%**	5.50%	5.50%
Retirement age	**60 years**	60 years	60 years

All movements in the employee defined benefit liabilities are recognized in the statement of profit or loss except for the actuarial gain which is recognized in other comprehensive income.

Sensitivity analysis

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

	30 June 2018 SR	31 December 2017 SR	1 January 2017 SR
Increase in discount rate of 1%	**16,516,000**	20,248,000	15,534,000
Decrease in discount rate of 1%	**(20,971,000)**	(26,091,000)	(19,881,000)
Increase in rate of salary increase of 1%	**20,933,000**	26,273,000	19,832,000
Decrease in rate of salary increase of 1%	**(16,507,000)**	(20,056,000)	(15,534,000)

The Company contributes for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. The total amount expensed during the period in respect of this plan was SR 1,501,025 (for the year ended 31 December 2017: SR 2,915,258).

23. SHORT-TERM LOANS

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

24. TRADE AND OTHER PAYABLES

	30 June 2018 SR	31 December 2017 SR	1 January 2017 SR
Trade payables	**260,711,312**	133,308,905	89,755,630
Accrued liabilities	**37,229,338**	34,802,217	54,208,055
Withholding tax payable (note 10)	**15,069,294**	17,198,405	18,943,522
Accrued employees benefits	**6,752,469**	6,137,518	4,974,390
Amounts due to related parties (note 25)	**44,435**	8,815,258	1,690,659
Other payables	**395,000**	4,289,808	385,337
	320,201,848	204,552,111	169,957,593

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

25. RELATED PARTY TRANSACTIONS AND BALANCES

During the period, the Company entered into the following trading transactions with its related parties:

	30 June 2018 SR	30 June 2017 (Unaudited) SR
Purchases from related parties	**5,807,317**	4,782,103
Revenue from related parties	**89,199**	90,723
Operating lease income from related parties	**127,660**	127,660

The sales to and purchase from related parties are made on terms agreed by management. Outstanding balances at the period/year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantee provided or received for any related party receivables or payables. No amount has been recognised in the current or prior period for expected credit losses.

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

	30 June 2018 SR	31 December 2017 SR	1 January 2017 SR
Amounts due from related parties:			
Edarat for Communication and Information Technology (associate)	**450,541**	690,971	-
Esri Saudi Arabia Limited Company (affiliate)	**380,226**	-	9,611
	830,767	690,971	9,611
Amounts due to related parties:			
Electronic Maps Trading Company (affiliate)	**44,435**	898,163	1,054,225
Esri Saudi Arabia Limited Company (affiliate)	**-**	7,917,095	-
Edarat for Communication and Information Technology (associate)	**-**	-	636,434
	44,435	8,815,258	1,690,659

Compensation paid to key management personnel as short-term benefits during the period amounted to SR 1,200,000 (30 June 2017: SR 100,000).

26. OPERATING LEASE ARRANGEMENTS

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

	30 June 2018 SR	30 June 2017 Unaudited SR
Premises	**1,179,670**	1,263,598

The Company had operating lease commitments of SR 317,876 at the reporting date (31 December 2017: SR 1,342,887; 1 January 2017: SR 1,511,000).

27. FIRST TIME ADOPTION OF IFRS AS ENDORSED IN KSA

For all financial years up to and including the year ended 31 December 2017, the Company prepared its financial statements in accordance with Generally Accepted Accounting Principles ("GAAP") issued by SOCPA in KSA (referred to "SOCPA GAAP"). As explained in note (2.1) above, these interim financial statements are the company's first interim financial statements prepared in accordance with IFRSs as endorsed in KSA. Accordingly, the Company has applied IFRSs as endorsed in KSA for the preparation of its interim financial statements for the period beginning 1 January 2018 as well as for presenting the relevant comparative data.

In compliance with requirements of IFRS 1 as endorsed in KSA, the interim financial statements were prepared after incorporating required adjustments to reflect the transition to IFRSs as endorsed in KSA from the previous SOCPA GAAP. The Company has analyzed the impact on the statement of financial position as at the transition date (1 January 2017) and 30 June 2017, 31 December 2017, and the statement of comprehensive income for the year ended 31 December 2017 and for the interim statement of comprehensive income for the six-month period ended 30 June 2017.

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

27. FIRST TIME ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

27.1 Impact of adoption of IFRS as endorsed in KSA on the Statement of Financial Position as at 1 January 2017 (date of transition to IFRSs as endorsed in KSA)

	Notes	Amounts previously reported under SOCPA GAAP SR	Re-classification SR	IFRS adjustments SR	Correction of prior year errors (note g) SR	IFRSs as endorsed in KSA as at 1 January 2017 SR
ASSETS						
Non-current assets						
Trade receivables (non-current)		24,675,666	-	(258,063)	88,023	24,505,626
Property and equipment		890,750	-	-	-	890,750
Intangible assets		765,205	-	-	-	765,205
Investment at fair value through other comprehensive income		43,850	-	-	-	43,850
Investment in associates		2,585,468	-	-	-	2,585,468
Total non-current assets		**28,960,939**	**-**	**(258,063)**	**88,023**	**28,790,899**
Current assets						
Trade and other receivables	a,c,d	300,870,059	16,719,735	(3,146,562)	1,073,274	315,516,506
Prepayments and other receivables	f	16,719,735	(16,719,735)	-	-	-
Contract assets	a	144,843,994	-	(2,591,252)	790,750	143,043,492
Work in progress	d	-	-	-	63,521,531	63,521,531
Amounts due from an associate	g	787,193	-	(787,193)	-	-
Cash and cash equivalents		50,686,661	-	-	-	50,686,661
Total current assets		**513,907,642**	**-**	**(6,525,007)**	**65,385,555**	**572,768,190**
TOTAL ASSETS		**542,868,581**	**-**	**(6,783,070)**	**65,473,578**	**601,559,089**
SHAREHOLDERS' EQUITY AND LIABILITES						
Shareholders' equity						
Share capital		50,000,000	-	-	-	50,000,000
Statutory reserve		25,000,000	-	-	-	25,000,000
Retained earnings	a,b,d	95,790,765	-	(9,655,322)	(7,575,025)	78,560,418
Revaluation reserve for investments at fair value through other comprehensive income		216	-	-	-	216
Total Shareholders' equity		**170,790,981**	**-**	**(9,655,322)**	**(7,575,025)**	**153,560,634**

27. FIRST TIME ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

	Notes	Amounts previously reported under SOCPA GAAP SR	Re-classification SR	IFRS adjustments SR	Correction of prior year errors (note g) SR	IFRSs as endorsed in KSA as at 1 January 2017 SR
Non-current liabilities						
Contract liabilities (non-current)		-	-	-	26,037,256	26,037,256
Employee defined benefit liabilities	b	11,908,119	-	5,601,881		17,510,000
Total non-current liabilities		**11,908,119**	**-**	**5,601,881**	**26,037,256**	**43,547,256**
Current liabilities						
Short-term loans		162,182,837	-	-	-	162,182,837
Trade and other payables	d,g	98,727,996	92,223,871	(777,582)	(20,216,692)	169,957,593
Accrued expenses and other liabilities	f	92,223,871	(92,223,871)	-	-	-
Contract liabilities		-	-	-	65,275,992	65,275,992
Zakat payable	g	7,034,777	-	-	-	7,034,777
Total current liabilities		**360,169,481**	**-**	**(777,582)**	**45,059,300**	**404,451,199**
Total liabilities		**372,077,600**	**-**	**4,824,299**	**71,096,556**	**447,998,455**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**27.2**	**542,868,581**	**-**	**(4,831,023)**	**63,521,531**	**601,559,089**

27.2 Impact of adoption of IFRS as endorsed in KSA on total shareholders' equity as at 1 January 2017

	Notes	As at 1 January 2017 SR
Total shareholders' equity reported under SOCPA GAAP		**170,790,981**
Actuarial gain of employee defined benefit liabilities	b	(5,601,881)
Correction of prior year errors	d	(7,575,025)
Finance charges on long term accounts receivable	a	(4,053,441)
Total shareholders' equity under IFRS as endorsed in KSA		**153,560,634**

27. FIRST TIME ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

27.3 Effect of IFRS as endorsed in KSA on adoption on the Statement of Comprehensive Income for the year ended 31 December 2017

	Notes	Amounts Previously reported under SOCPA GAAP SR	IFRS adjustments SR	Correction of prior year errors (note g) SR	IFRSs as endorsed in KSA for the year ended 31 December 2017 SR
Revenue		842,800,143	-	(91,823,798)	750,976,345
Cost of sales	b	(704,470,154)	(4,016,271)	76,778,057	(631,708,368)
Gross profit		**138,329,989**	**(4,016,271)**	**(15,045,741)**	**119,267,977**
Selling and marketing expenses		(11,799,725)	-	-	(11,799,725)
General and administrative expenses	b,c	(32,046,920)	(4,472,637)	-	(36,519,557)
Other income		1,584,704	-	-	1,584,704
Operating profit		**96,068,048**	**(8,488,908)**	**(15,045,741)**	**72,533,399**
Share of losses of associates		(524,885)	-	-	(524,885)
Finance costs	a	(12,261,665)	(4,053,441)	-	(16,315,106)
Finance income		-	1,743,335	-	1,743,335
Income before zakat		**83,281,498**	**(10,799,014)**	**(15,045,741)**	**57,436,743**
Zakat		(6,473,166)	-	-	(6,473,166)
Net income for the year		**76,808,332**	**(10,799,014)**	**(15,045,741)**	**50,963,577**
Other comprehensive income					
Item that will not be reclassified subsequently to profit or loss:					
Remeasurements gains of employee defined benefit liabilities	b	-	4,380,000	-	4,380,000
Total comprehensive income for the year		**76,808,332**	**(6,419,014)**	**(15,045,741)**	**55,343,577**

27.4 Reconciliation of Comprehensive income for the year ended 31 December 2017

	Notes	Profit for the year SR
Income reported under SOCPA GAAP		76,808,332
Actuarial value of employee defined benefit liabilities	b	(4,016,271)
Correction of prior year errors	d	(15,045,741)
Provision for expected credit losses	c	(4,472,637)
Finance costs		(4,053,441)
Finance income	a	1,743,335
Income reported under IFRS as endorsed in KSA		**50,963,577**
Other comprehensive income	b	4,380,000
Total comprehensive income for the year under IFRS as endorsed in KSA		**55,343,577**

27. FIRST TIME ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

27.5 Effect of IFRS as endorsed in KSA on adoption on the Statement of Comprehensive Income for the period ended 30 June 2017

	Notes	Amounts previously reported under SOCPA GAAP SR	IFRS adjustments SR	Correction of prior year errors (note g) SR	IFRSs as endorsed in KSA for the period ended 30 June 2017 SR
Revenue		220,415,190	-	33,537,291	253,952,481
Cost of sales	b	(192,772,877)	(1,451,120)	(31,670,123)	(225,894,120)
Gross profit		**27,642,313**	**(1,451,120)**	**1,867,168**	**28,058,361**
Selling and marketing expenses		(6,031,680)	(110,599)	-	(6,142,279)
General and administrative expenses	c	(15,553,046)	(4,051,227)	-	(19,604,273)
Other income		410,953	-	-	410,953
Operating profit		**6,468,540**	**(5,612,946)**	**1,867,168**	**2,722,762**
Share of losses of associates		(1,623,581)	-	-	(1,623,581)
Finance charges	a	(5,562,944)	(2,343,652)	-	(7,906,596)
Finance income		-	370,135	-	370,135
(Loss) before zakat		**(717,985)**	**(7,586,463)**	**1,867,168**	**(6,437,280)**
Zakat		(2,427,097)	-	-	(2,427,097)
Net (loss) for the period		**(3,145,082)**	**(7,586,463)**	**1,867,168**	**(8,864,377)**
Other comprehensive loss					
Item that will not be reclassified subsequently to profit or loss:					
Remeasurements gains of employee defined benefit liabilities	b	-	2,829,000	-	2,829,000
Total comprehensive loss for the period		**(3,145,082)**	**(4,757,463)**	**1,867,168**	**(6,035,377)**

27. FIRST TIME ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

27.6 Impact of adoption of IFRS as endorsed in KSA on the Statement of Financial Position as at 30 June 2017

	Notes	Amounts previously reported under SOCPA GAAP SR	Re-classification SR	IFRS adjustments SR	Correction of prior year errors (note g) SR	IFRSs as endorsed in KSA as at 30 June 2017 SR
ASSETS						
Non-current assets						
Trade receivables (non-current)		46,263,959	-	(987,401)	-	45,276,558
Property and equipment		834,330	-		-	834,330
Intangible assets		783,386	-		-	783,386
Investment at fair value through other comprehensive income		1,204	-	-	-	1,204
Investment in associates		961,887	-	-	-	961,887
Total non-current assets		**48,844,766**	**-**	**(987,401)**	**-**	**47,857,365**
Current assets						
Trade and other receivables	a,c,d	213,406,098	15,631,522	(4,675,540)	-	224,362,080
Prepayments and other receivables	f	14,844,329	(14,844,329)			
Contract assets	a	82,262,142	-	-	-	82,262,142
Work in progress	d	63,521,533	-	-	(30,356,915)	33,164,618
Amounts due from an associate	g	787,193	(787,193)	-	-	-
Cash and cash equivalents		55,835,721	-	-	-	55,835,721
Total current assets		**430,657,016**	**-**	**(4,675,540)**	**(30,356,915)**	**395,624,561**
TOTAL ASSETS		**479,501,782**	**-**	**(5,662,941)**	**(30,356,915)**	**443,481,926**
SHAREHOLDERS' EQUITY AND LIABILITES						
Shareholders' equity						
Share capital		50,000,000	-	-	-	50,000,000
Statutory reserve		25,000,000				25,000,000
Retained earnings	a,b,d	66,658,416	-	(4,757,463)	1,867,168	63,768,121
Total Shareholders' equity		**141,658,416**		**(4,757,463)**	**1,867,168**	**138,768,121**
Non-current liabilities						
Contract liabilities (non-current portion)		26,037,256	-	-	(21,288,770)	4,748,486
Employee defined benefit liabilities	b	16,115,701	-	(905,478)	-	15,210,223
Total non-current liabilities		**42,152,957**	**-**	**(905,478)**	**(21,288,770)**	**19,958,709**

27. FIRST TIME ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

	Notes	Amounts previously reported under SOCPA GAAP SR	Re-classification SR	IFRS adjustments SR	Correction of prior year errors (note g) SR	IFRSs as endorsed in KSA as at 30 June 2017 SR
Current liabilities						
Short-term loans		175,834,249	-	-	-	175,834,249
Trade and other payables	d,g	52,439,307	-	-	42,436,119	94,875,426
Accrued expenses and other liabilities	f					
Contract liabilities		65,275,993	-	-	(53,371,432)	11,904,561
Zakat payable	g	2,140,860	-	-	-	2,140,860
Total current liabilities		**295,690,409**	**-**	**-**	**(10,935,313)**	**284,755,096**
Total liabilities		**337,843,366**	**-**	**(905,478)**	**(32,224,083)**	**304,713,805**
Total shareholders' equity and liabilities		**479,501,782**	**-**	**(5,662,941)**	**(30,356,915)**	**443,481,926**

27.7 Reconciliation of comprehensive loss for the period ended 30 June 2017

	Notes	Loss for the period SR
Loss reported under SOCPA GAAP		**(3,145,082)**
Actuarial value of employee defined benefit liabilities	b	(1,923,522)
Correction of prior year errors	d	1,867,168
Provision for expected credit losses		(3,689,424)
Finance charges on long term accounts receivable	a	(2,343,652)
Finance income		370,135
Loss reported under IFRS as endorsed in KSA		**(8,864,377)**
Other comprehensive income	b	2,829,000
Total comprehensive loss for the period under IFRS as endorsed in KSA		**(6,035,377)**

27. FIRST TIME ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

27.8 Impact of adoption of IFRS as endorsed in KSA on the Statement of Financial Position as at 31 December 2017

	Notes	Amounts previously reported under SOCPA GAAP SR	Re-classification SR	IFRS adjustments SR	Correction of prior year errors SR	IFRSs as endorsed in KSA as at 31 December 2017 SR
Non-current assets						
Trade receivables (non-current)		38,832,933	-	(702,886)	319,117	38,449,164
Property and equipment		9,101,437	-	-	-	9,101,437
Intangible assets		1,035,348	-	-	-	1,035,348
Investment at fair value through other comprehensive income		1,185	-	-	-	1,185
Investment in associates		2,060,583	-	-	-	2,060,583
		51,031,486	**-**	**(702,886)**	**319,117**	**50,647,717**
Current assets						
Trade and other receivables	a,d,e	331,095,818	15,044,994	(5,992,918)	2,720,843	342,868,737
Prepayments and other receivables	e	15,044,994	(15,044,994)	-	-	-
Contract assets	a,d	253,047,651	-	(5,831,657)	-	247,215,994
Work in progress	d	-	-	86,276,304	-	86,276,304
Amounts due from an associate	g	787,193	(787,193)	-	-	-
Cash and cash equivalents		55,814,301	-	-	-	55,814,301
		655,789,957	**(787,193)**	**74,451,729**	**2,720,843**	**732,175,336**
Total assets		**706,821,443**	**(787,193)**	**73,748,843**	**3,039,960**	**782,823,053**
Shareholders’ equity						
Share capital		50,000,000	-	-	-	50,000,000
Statutory reserve		25,000,000	-	-	-	25,000,000
Retained earnings	a,b,c,d	121,457,616	-	(15,416,623)	(22,620,767)	83,420,226
Total Shareholders’ equity	**27.9**	**196,457,616**	**-**	**(15,416,623)**	**(22,620,767)**	**158,420,226**
Non-current liability						
Contract liabilities (non-current)		-	-	-	120,494,418	120,494,418
Employee defined benefit liabilities	b	12,898,848	-	5,238,152	-	18,137,000
		12,898,848	**-**	**5,238,152**	**120,494,418**	**138,631,418**

27. FIRST TIME ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

	Notes	Amounts previously reported under SOCPA GAAP SR	Re-classification SR	IFRS adjustments SR	Correction of prior year errors SR	IFRSs as endorsed in KSA as at 31 December 2017 SR
Current liabilities						
Short-term loans		179,103,504	-	-	-	179,103,504
Trade and other payables	f	142,220,385	136,667,924	(777,582)	(73,558,616)	204,552,111
Accrued expenses and other liabilities	f	136,667,924	(136,667,924)	-	-	-
Contract liabilities		-	-	-	62,642,628	62,642,628
Dividends payable		33,000,000	-	-	-	33,000,000
Zakat payable		6,473,166	-	-	-	6,473,166
		497,464,979	**-**	**(777,582)**	**(10,915,988)**	**485,771,409**
Total liabilities		**510,363,827**	**-**	**4,460,570**	**109,578,430**	**624,402,827**
Total Shareholders' equity and liabilities		**706,821,443**	**-**	**(10,956,053)**	**86,957,663**	**782,823,053**

27.9 Impact of adoption of IFRS as endorsed in KSA on total Shareholders' equity as at 31 December 2017

	Note	As at 31 December 2017 SR
Total shareholders' equity reported under SOCPA GAAP		**196,457,616**
Actuarial value of employee defined benefit liabilities	b	**(5,238,152)**
Correction of prior year errors		**(22,620,771)**
Provision for expected credit losses	c	**(4,472,637)**
Finance charges on long term accounts receivable		**(7,449,169)**
Finance income		**1,743,339**
Total Shareholders' equity under IFRS as endorsed in KSA		**158,420,226**

27.10 Impact of adoption of IFRS on the Statement of Cash Flows for the year ended 31 December 2017

The adoption of IFRS did not have any material impact on the amounts reported as cash flows from operating, investing and financing activities.

27.11 Notes to the IFRS adjustments and correction of prior year errors

27.11 (a) IFRS adjustments and correction of prior year errors

A- Discounting of long term trade receivable and contract assets

The Company has accounts receivable and contract assets for which cash inflow is above one year and which are discounted to present value.

27. FIRST TIME ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

B- Actuarial valuation of employees' benefits

Under IFRSs as endorsed in KSA, employees' end-of-service benefits are required to be calculated using actuarial valuations. Historically, the Company has calculated these obligations based on the local regulations in KSA at the reporting date without considering expected future service periods of employees, salary increments and discount rates. The effect of this change is a decrease in equity and a decrease in the profit. The actuarial gain resulting from the remeasurement of the employee defined benefit liabilities has been recorded in other comprehensive loss in accordance with the requirements of IAS 19.

C- Financial instruments

Additional provision of expect credit losses is mainly due to adopting IFRS 9 on the interim financial statements of the Company pertaining to the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECL model.

D- Prior year errors

During the period, the Company noted errors in the prior year amounts pertaining to revenue recognition and related direct cost. The management was able to quantify the impact of misstatements on the prior year financial statements; accordingly, the Company has rectified such misstatements and restated previous years amounts.

27.11 (b) Reclassification

- Reclassification of prepayments and other receivables to trade and other receivables to align with the presentation requirements.
- Reclassification of accrued expenses and liabilities to trade and other payables to align with the presentation requirements.
- Reclassification of trade payables to amounts due from / to related to align with the presentation requirements.

28. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies

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

Risk management structure

The Company's senior management is responsible for identifying and controlling risks.

Risk measurement and reporting system

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

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

28. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES (continued

Risk mitigation

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

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

Capital management

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

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

	30 June 2018	31 December 2017	1 January 2017
	SR	SR	SR
Short term loans	**213,149,712**	179,103,504	162,182,837
Trade and other payables	**320,201,848**	204,552,111	169,957,593
Less: Cash and cash equivalents	**(28,160,013)**	(55,814,301)	(50,686,661)
Net debt	**505,191,547**	327,841,314	281,453,769
Equity	**160,131,555**	158,420,226	153,560,634
Equity and net debt	**665,323,102**	486,261,540	435,014,403
Gearing ratio	**76%**	67%	65%

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. There have been no breaches of the financial covenants of any short term borrowings in the current period. No changes were made in the objectives, policies or processes for managing capital during the period and year ended 30 June 2018 and 31 December 2017.

Market risk

The company was exposed to market risk, in the form of interest rate risk as described below. There were no changes in these circumstances from the previous period.

28. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk management

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 and liquidity risks management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest 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 interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the period would have decreased or increased by SR 1,065,749 (31 December 2017: SR 895,518). The Company's exposure to interest rates has decreased during the period as a result of a decrease in interest-bearing borrowings.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows:

30 June 2018	Interest rate %	Within one year SR	One year to five year SR	Over five year SR	Total SR
Short-term loans	Variable	213,149,712	-	-	213,149,712
Trade and other payables	Interest free	320,201,848	-	-	320,201,848
		533,351,560	-	-	533,351,560

31 December 2017	Interest rate %	Within one year SR	One year to five year SR	Over five year SR	Total SR
Short-term loans	Variable	179,103,504	-	-	179,103,504
Trade and other payables	Interest free	204,552,111	-	-	204,552,111
		383,655,615	-	-	383,655,615

1 January 2017	Interest rate %	Within one year SR	One year to five year SR	Over five year SR	Total SR
Short-term loans	Variable	162,182,837	-	-	162,182,837
Trade and other payables	Interest free	169,957,593	-	-	169,957,593
		332,140,430	-	-	332,140,430

28. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognized financial assets as stated in the statement of financial position. The Company performs credit-vetting procedures which are reviewed and updated on an ongoing basis before granting credit to its customers. Note 16 details the Company's maximum exposure to credit risk for financial assets that are not cash and cash equivalents. The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Company reviews the recoverable amount of each trade receivable on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

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

The Company did not have any trade receivables at the reporting date which individually comprised more than 10% of the trade receivables balance. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

29. FAIR VALUES

The Company's financial assets and financial liabilities are measured at amortized cost. The Company has not disclosed the fair value for financial instruments such as short term trade and other receivables, due from related parties, trade payables and other payables, due to related parties and cash and short term deposits, because their carrying amounts are a reasonable approximation of fair values largely because of short term maturity of these instruments. Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments, other than those carrying amounts that are reasonable approximations of fair value:

	Carrying amount			Fair Value		
	30 June 2018	31 December 2017	1 January 2017	30 June 2018	31 December 2017	1 January 2017
	SR	SR	SR	SR	SR	SR
Investments at fair value through OCI	1,210	1,185	43,832	1,210	1,185	43,850
Total	**1,210**	**1,185**	**43,832**	**1,210**	**1,185**	**43,850**

29. FAIR VALUES (continued)

The table below analyses financial instruments, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets					
30 June 2018					
Investments at fair value through other comprehensive income	30 June 2018	1,210	-	-	1,210
31 December 2017					
Investments at fair value through other comprehensive income	31 December 2017	1,185	-	-	1,185
1 January 2017					
Investments at fair value through other comprehensive income	1 January 2017	43,850	43,850	-	-

30. EVENTS SUBSEQUENT TO THE REPORTING DATE

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

31. CONTINGENT LIABILITIES

The Company had the following contingent liabilities in existence at the reporting date:

	30 June 2018 SR	31 December 2017 SR	1 January 2017 SR
Letters of credit	**62,321,803**	15,967,314	26,035,643
Letters of guarantee	**126,459,029**	113,178,199	115,901,894
	188,780,832	129,145,513	141,937,537

32. SEGMENT INFORMATION

The Company operates solely in the Kingdom of Saudi Arabia 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:

E-Services Unit

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

Solutions Unit

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

Systems Unit

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

Information Security System Unit (ISSU)

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

Networking Unit

The business unit's main responsibility is to build efficient and cost effective networks and communication solutions based on technologies from various leading 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 function of finance, operations, procurement, logistics, sales, administration, and human resources department.

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

Consistent with the Company's internal reporting process, business segments have been approved by board of directors in respect of the Company's activities. Transactions between the business segments are reported at cost. The Company's revenue, direct cost and gross profit by business segments, are as follows. The Company manages the other expenses, assets and liabilities at corporate and accordingly are not allocated between business segments.

32. SEGMENT INFORMATION (continued)

30 June 2018	E-Services unit	Solutions unit	Systems unit	Information security systems unit	Networking unit	Operation and maintenance unit	Corporate	Total
	SR	SR	SR	SR	SR	SR	SR	SR
Revenue from contracts	45,665,953	99,222,609	79,314,751	60,957,786	47,956,807	62,402,174	-	395,520,080
Direct cost	(33,938,324)	(90,070,682)	(71,420,370)	(54,190,210)	(41,742,377)	(57,788,133)	-	(349,150,096)
Gross profit	11,727,629	9,151,927	7,894,381	6,767,576	6,214,430	4,614,041	-	46,369,984
Selling and marketing expenses	-	-	-	-	-	-	(5,011,175)	(5,011,175)
General and administrative expenses	-	-	-	-	-	-	(17,217,738)	(17,217,738)
Share of loss of associates	-	-	-	-	-	-	(1,861,532)	(1,861,532)
Other income	-	-	-	-	-	-	167,323	167,323
Finance cost	-	-	-	-	-	-	(9,109,219)	(9,109,219)
Finance income	-	-	-	-	-	-	1,600,199	1,600,199
Income before zakat	11,727,629	9,151,927	7,894,381	6,767,576	6,214,430	4,614,041	(31,432,142)	14,937,842
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**914,751,031**	**914,751,031**
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**742,598,769**	**742,598,769**

1 January 2017	E-Services unit	Solutions unit	Systems unit	Information security systems unit	Networking unit	Operation and maintenance unit	Corporate	Total
	SR	SR	SR	SR	SR	SR	SR	SR
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**601,559,089**	**601,559,089**
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**447,998,455**	**447,998,455**

32. SEGMENT INFORMATION (continued)

30 June 2017	E-Services unit	Solutions unit	Systems unit	Information security systems unit	Networking unit	Operation and maintenance unit	Corporate	Total
	SR	SR	SR	SR	SR	SR	SR	SR
Revenue from contracts	15,292,482	133,160,784	10,984,003	8,783,638	43,237,889	42,493,685	-	**253,952,481**
Direct cost	(10,231,078)	(122,825,428)	(8,881,448)	(7,436,267)	(38,156,927)	(38,362,972)	-	**(225,894,120)**
Gross profit	5,061,404	10,335,356	2,102,555	1,347,371	5,080,962	4,130,713	-	**28,058,361**
Selling and marketing expenses	-	-	-	-	-	-	(6,142,279)	**(6,142,279)**
General and administrative expenses	-	-	-	-	-	-	(19,604,273)	**(19,604,273)**
Share of loss of associates	-	-	-	-	-	-	(1,623,581)	**(1,623,581)**
Other income	-	-	-	-	-	-	410,953	**410,953**
Finance cost	-	-	-	-	-	-	(7,906,596)	**(7,906,596)**
Finance income	-	-	-	-	-	-	370,135	**370,135**
Income before zakat	5,061,404	10,335,356	2,102,555	1,347,371	5,080,962	4,130,713	(34,495,641)	**(6,437,280)**

33. APPROVAL OF FINANCIAL STATEMENTS

These interim financial statements were approved by the board of directors on 4 Rabi Thani 1440H (corresponding to 11 December 2018).

34. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year (note 27).

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

Financial Statements

31 December 2017

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Al Moammar Information Systems Company
(A Saudi Closed 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 2017, and the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the 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 skepticism throughout the audit. We also:

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Al Moammar Information Systems Company
(A Saudi Closed Joint Stock Company) (continued)

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

for Ernst & Young

Yousef A. Almubarak
Certified Public Accountant
License No. (427)

Riyadh: 23 Rajab 1439 H
(9 April 2018)

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

BALANCE SHEET

As at 31 December 2017

	Note	2017 SR	2016 SR
ASSETS			
CURRENT ASSETS			
Cash and bank balances	3	**55,814,301**	50,686,661
Accounts receivable	4	**369,928,751**	325,545,725
Unbilled receivable		**253,047,651**	144,843,994
Prepayments and other receivables	5	**15,044,994**	16,719,735
Due from an associate	16	**787,193**	787,193
TOTAL CURRENT ASSETS		**694,622,890**	538,583,308
NON-CURRENT ASSETS			
Available for sale investments	6	**1,185**	43,850
Property and equipment	7	**9,101,437**	890,750
Investments in associates	8	**2,060,583**	2,585,468
Intangible assets	9	**1,035,348**	765,205
TOTAL NON-CURRENT ASSETS		**12,198,553**	4,285,273
TOTAL ASSETS		**706,821,443**	542,868,581
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short term loans	11	**179,103,504**	162,182,837
Accrued expenses and other liabilities	10	**136,667,924**	98,727,996
Accounts payable		**142,220,385**	92,223,871
Dividends payable	15	**33,000,000**	–
Zakat payable	12	**6,473,166**	7,034,777
TOTAL CURRENT LIABILITIES		**497,464,979**	360,169,481
NON-CURRENT LIABILITY			
Employees' terminal benefits	13	**12,898,848**	11,908,119
TOTAL LIABILITIES		**510,363,827**	372,077,600
SHAREHOLDERS' EQUITY			
Share capital	14	**50,000,000**	50,000,000
Statutory reserve		**25,000,000**	25,000,000
Retained earnings		**121,457,616**	95,790,765
Fair value reserve	6	**–**	216
TOTAL SHAREHOLDERS' EQUITY		**196,457,616**	170,790,981
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**706,821,443**	542,868,581

The attached notes 1 to 25 form part of these financial statements.

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

STATEMENT OF INCOME

For the year ended 31 December 2017

	Note	2017 SR	2016 SR
Sales		**842,800,143**	654,023,543
Cost of sales		**(704,470,154)**	(555,560,760)
GROSS PROFIT		**138,329,989**	98,462,783
EXPENSES			
General and administration	17	**(32,046,920)**	(30,486,743)
Selling and distribution	18	**(11,799,725)**	(12,530,629)
INCOME FROM MAIN OPERATIONS		**94,483,344**	55,445,411
Financial charges		**(12,261,665)**	(14,460,966)
Other income, net		**1,584,704**	1,172,930
INCOME BEFORE SHARE IN RESULTS OF ASSOCIATES AND ZAKAT		**83,806,383**	42,157,375
Share in results of associates	8	**(524,885)**	(752,352)
INCOME BEFORE ZAKAT		**83,281,498**	41,405,023
Zakat	12	**(6,473,166)**	(5,321,318)
NET INCOME FOR THE YEAR		**76,808,332**	36,083,705
EARNINGS PER SHARE			
From main operations	19	**18.90**	11.09
From net income		**15.36**	7.22
Weighted average number of shares outstanding		**5,000,000**	5,000,000

The attached notes 1 to 25 form part of these financial statements.

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHODERS' EQUITY

For the year ended 31 December 2017

	Capital SR	Statutory reserve SR	Retained earnings SR	Fair value reserve SR	Total SR
Balance at 1 January 2016	50,000,000	25,000,000	85,328,213	-	**160,328,213**
Net income for the year	-	-	36,083,705	-	**36,083,705**
Dividends (note 15)	-	-	(25,621,153)	-	**(25,621,153)**
Fair value reserve (note 6)	-	-	-	216	**216**
Balance at 31 December 2016	50,000,000	25,000,000	95,790,765	216	**170,790,981**
Net income for the year	-	-	76,808,332	-	**76,808,332**
Dividends (note 15)	-	-	(51,141,481)	-	**(51,141,481)**
Fair value reserve (note 6)	-	-	-	(216)	**(216)**
Balance at 31 December 2017	50,000,000	25,000,000	121,457,616	-	**196,457,616**

The attached notes 1 to 25 form part of these financial statements

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 SR	2016 SR
OPERATING ACTIVITIES			
Income before zakat		**83,281,498**	41,405,023
Adjustments for:			
Provision for employees' terminal benefits	13	**3,080,234**	3,831,144
Provision for doubtful receivables	4	**536,784**	399,161
Share in results of associates	8	**524,885**	752,352
Depreciation of property and equipment	7	**339,948**	357,565
Amortisation	9	**307,119**	346,059
Gain on sale of property and equipment		**(21,000)**	(7,000)
Provision for doubtful advances to suppliers	5	**60,000**	121,745
		88,109,468	47,206,049
Changes in operating assets and liabilities:			
Accounts receivable		**(44,919,810)**	(668,545)
Unbilled receivable		**(108,203,657)**	5,565,372
Prepayments and other receivables		**1,614,741**	(5,888,240)
Due from an associate		**-**	(6,812)
Accounts payable		**49,996,514**	6,617,290
Accrued expenses and other liabilities		**36,226,469**	40,109,854
Cash from operations		**22,823,725**	92,934,968
Employees terminal benefits paid	13	**(2,089,505)**	(2,835,325)
Zakat paid	12	**(5,321,318)**	(4,882,521)
Net cash from operating activities		**15,412,902**	85,217,122
INVESTING ACTIVITIES			
Purchase of property and equipment	7	**(8,550,636)**	(189,846)
Purchase of intangible assets	9	**(577,262)**	(229,107)
Proceeds from disposal of property and equipment		**21,001**	7,000
Proceeds from sale of available for sale investments		**42,449**	-
Net cash used in investing activities		**(9,064,448)**	(411,953)
FINANCING ACTIVITIES			
Net proceeds (repayments) from short term loans		**16,920,667**	(53,058,851)
Dividends paid	15	**(18,141,481)**	(25,621,153)
Net cash used in financing activity		**(1,220,814)**	(78,680,004)
INCREASE IN CASH AND CASH EQUIVALENTS		**5,127,640**	6,125,165
Cash and cash equivalents at the beginning of the year		**50,686,661**	44,561,496
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**55,814,301**	50,686,661
NON-CASH TRANSACTION			
Dividends declared but not yet paid	15	**33,000,000**	-

The attached notes 1 to 25 form part of these financial statements

1- ACTIVITIES

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

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

Pearl Centre, King Abdulaziz road,

P.O.Box 16116, Riyadh 11464

Kingdom of Saudi Arabia

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

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

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

2- SIGNIFICANT ACCOUNTING POLICIES

According to the transition plan to International Accounting Standards approved by the board of Saudi Organization for Certified Public Accountants (SOCPA), effective 1 January 2018, the Company's financial statements will be prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements that are issued by SOCPA. Upon IFRS adoption, the Company will be required to comply with the requirements of IFRS 1 - First-time Adoption of International Financial Reporting Standards which require the Company to analyze the impacts and incorporate certain adjustments on the comparative figures and its opening balances

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

Accounting convention

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

Use of estimate

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

Cash and cash equivalents

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

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Short term bank deposits

Short term bank deposits are readily convertible into known amounts of cash and have a maturity of more than three months but less than one year when purchased.

Accounts receivable

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

Unbilled receivables

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

Investments in associates

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

Available for sale investments

These investments represents unquoted shares which are bought not with the intention of trading purposes and are stated at fair value. Changes in fair value are credited or charged to the statement of changes in shareholders' equity. Where there is an objective evidence that investments may be impaired, the estimated recoverable amount of those investments is determined and any impairment loss for the difference between the recoverable amount and the carrying amount is recognised in the statement of income. In assessing impairment, expected future cash flows and other factors are taken into consideration.

Where partial holdings are sold, the related carrying values of such investments are accounted for on a weighted average basis.

Property and equipment

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

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

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

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

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

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

Accounts payable and accruals

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

Provisions

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

Loans and borrowings

Loans and borrowings are recognized at the proceeds value received by the Company.

Employees' terminal benefits

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

Statutory reserve

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

Zakat

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

Revenue recognition

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

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

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

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency translations

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

Expenses

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

Impairment and un-collectability of financial assets

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

a- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of income;

b- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

c- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Dividends

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

Segment reporting

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

3- CASH AND BANK BALANCES

	2017 SR	2016 SR
Bank balances	**55,814,301**	47,986,661
Short term bank deposits	**-**	2,700,000
	55,814,301	50,686,661

4- ACCOUNTS RECEIVABLE

	2017 SR	2016 SR
Trade accounts receivable	**370,465,535**	331,275,836
Less :provision for doubtful debts	**(536,784)**	(5,730,111)
	369,928,751	325,545,725

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

	Total	< 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 360 days	> 360 days
2017	**369,928,751**	**109,295,940**	**76,533,173**	**36,268,748**	**67,610,052**	**29,814,047**	**50,406,791**
2016	325,545,725	110,350,362	33,304,705	14,289,495	61,200,639	40,276,499	66,124,025

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

Movements in the allowance for doubtful debts were as follows:

	2017	2016
	SR	SR
At the beginning of the year	**5,730,111**	5,330,950
Provision for the year (note 17)	**536,784**	399,161
Write offs during the year	**(5,730,111)**	-
At the end of the year	**536,784**	5,730,111

Included in trade accounts receivable are amounts totalling SR 298,812,125 (2016: SR 274,974,347) due from Government and quasi Government institutions.

In addition, the five largest non-Government customers account for 11% of the outstanding trade accounts receivable at 31 December 2017 (31 December 2016: 12%).

5- PREPAYMENTS AND OTHER RECEIVABLES

	2017	2016
	SR	SR
Margin on letters of credit and guarantee (note 21)	**8,663,778**	8,913,124
Advance to suppliers	**2,759,031**	4,244,347
Prepaid rent	**1,342,295**	1,511,002
Advances to employees	**1,012,343**	1,064,769
Prepaid insurance	**347,201**	339,068
Prepaid government fees	**68,000**	104,000
Other receivables	**1,646,499**	1,277,578
Less: provision for doubtful advances to suppliers	**(794,153)**	(734,153)
	15,044,994	16,719,735

6- AVAILABLE FOR SALE INVESTMENTS

	2017	2016
	SR	SR
Fair value:		
At the beginning of the year	**43,850**	-
Transfer from investments held for trading	**-**	43,634
Disposal	**(42,665)**	-
Unrealised gains for the year	**-**	216
At the end of the year	**1,185**	43,850

7- PROPERTY AND EQUIPMENT

	Land	Equipment	Motor vehicles	Furniture and fixtures	Total 2017
	SR	SR	SR	SR	SR
Cost:					
At the beginning of the year	-	9,999,719	1,144,559	1,804,181	**12,948,459**
Additions	8,122,900	303,541	97,000	27,195	**8,550,636**
Disposals	-	-	(74,772)	-	**(74,772)**
At the end of the year	8,122,900	10,303,260	1,166,787	1,831,376	**21,424,323**
Depreciation:					
At the beginning of the year	-	9,371,355	1,144,549	1,541,805	**12,057,709**
Charge for the year (note 17)	-	258,202	2,976	78,770	**339,948**
Disposals	-	-	(74,771)	-	**(74,771)**
At the end of the year	-	9,629,557	1,072,754	1,620,575	**12,322,886**
Net book amount	8,122,900	673,703	94,033	210,801	**9,101,437**

	Land	Equipment	Motor vehicles	Furniture and fixtures	Total 2016
	SR	SR	SR	SR	SR
Cost:					
At the beginning of the year	-	9,809,873	1,242,059	1,804,181	12,856,113
Additions	-	189,846	-	-	189,846
Disposals	-	-	(97,500)	-	(97,500)
At the end of the year	-	9,999,719	1,144,559	1,804,181	12,948,459
Depreciation:					
At the beginning of the year	-	9,106,143	1,242,049	1,449,452	11,797,644
Charge for the year (note 17)	-	265,212	-	92,353	357,565
Disposals	-	-	(97,500)	-	(97,500)
At the end of the year	-	9,371,355	1,144,549	1,541,805	12,057,709
Net book amount	-	628,364	10	262,376	890,750

8- INVESTMENTS IN ASSOCIATES

	Percentage of ownership	2017	2016
		SR	SR
Edarat Group SAL-Lebanon ("Edarat SAL")	50%	**225,291**	224,724
Edarat Co For Communication And Information Technology ("Edarat")	50%	**1,043,388**	1,081,237
Phoenicia Teech worldwide Inc.-Lebanon ("Phoenicia")	50%	**791,904**	1,279,507
		2,060,583	2,585,468

Movement in investment in associates is as follows:

	Edarat SAL	Phoenicia	Edarat	Total
	SR	SR	SR	SR
January 1, 2016	303,681	2,508,340	525,799	3,337,820
Share in net (loss) income	(78,958)	(1,228,832)	555,438	(752,352)
December 31, 2016	224,723	1,279,508	1,081,237	2,585,468
Share in net (loss) income	567	(487,603)	(37,849)	(524,885)
December 31, 2017	**225,290**	**791,905**	**1,043,388**	**2,060,583**

9- INTANGIBLE ASSETS

Movement in intangible assets during the year was as follows:

	ERP software microsoft dynamics	Application development project	Other softwares	Total 2017	Total 2016
	SR	SR	SR	SR	SR
Cost:					
At the beginning of the year	712,471	4,532,387	1,600,891	**6,845,749**	6,616,642
Additions	-	-	577,262	**577,262**	229,107
At 31 December	712,471	4,532,387	2,178,153	**7,423,011**	6,845,749
Amortisation:					
At the beginning of the year	712,468	4,532,387	835,689	**6,080,544**	5,734,485
Charged during the year (note 17)	-	-	307,119	**307,119**	346,059
At 31 December	712,468	4,532,387	1,142,808	**6,387,663**	6,080,544
Net carrying value					
At 31 December	3	-	1,035,345	**1,035,348**	765,205

10- ACCRUED EXPENSES AND OTHER LIABILITIES

	2017 SR	2016 SR
Unbilled project costs	**109,042,193**	74,424,747
Withholding tax payable (note 12)	**17,198,405**	18,943,522
Accrued employee costs	**6,137,518**	4,974,390
Others	**4,289,808**	385,337
	136,667,924	98,727,996

11- SHORT TERM LOANS

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

12- ZAKAT

Charge for the year

The zakat charge consists of:

	2017 SR	2016 SR
Charge for the year	**6,473,166**	5,321,318

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

	2017 SR	2016 SR
Equity	**152,649,284**	134,707,060
Opening allowances and other adjustments	**29,464,631**	32,424,812
Book value of long term assets	**(8,073,323)**	1,792,547
	174,040,592	168,924,419
Zakatable income for the year	**84,886,065**	43,928,309
Zakat base	**258,926,657**	212,852,728

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

12- ZAKAT (continued)

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

	2017 SR	2016 SR
At the beginning of year	**7,034,777**	7,044,453
Payments during the year	**(5,321,318)**	(4,882,521)
Provided during the year	**6,473,166**	5,321,318
Reclassification during the year	**(1,713,459)**	-
Reversal during the year	**-**	(448,473)
At the end of year	**6,473,166**	7,034,777

Status of assessments

The Company has finalized its zakat assessment with the General Authority for Zakat and Tax (GAZT formerly, DZIT) up to year 2007 and obtained the final zakat assessment. The Company has filed the zakat returns for the years from 2008 to 2016 which are still under review by GAZT. The assessments are yet to be raised by the GAZT for years 2008 to 2016 and the outcome cannot be reasonably determined.

During 2011, the Company received final assessment with the GAZT for the years 2006 and 2007 for which showed an additional withholding tax liability of SR 6,097,791. The Company filed an appeal against the assessment with the Board of Grievance (BOG), paid the total amount under protest and recognized it in the statement of income. However, the BOG has decided the case in favor of the GAZT. Eventually, the Company has remitted the amount of penalties amounting to SAR 2,700,000 to GAZT which was already available in the form of a bank guarantee with the authorities.

At the balance sheet date, a reasonable estimate of the outcome and ultimate withholding tax liability were assessed by the management based on their estimates for the years ended 31 December 2008 to 31 December 2016 and have provided for these liabilities in the financial statements. The Company has recognized the liability after taking into account advice from its zakat advisor (note 10).

13- EMPLOYEES' TERMINAL BENEFITS

The movements in employees' terminal benefits are as follows:

	2017	2016
	SR	SR
At the beginning of the year	**11,908,119**	10,912,300
Charge for the year	**3,080,234**	3,831,144
Payments during the year	**(2,089,505)**	(2,835,325)
At the end of the year	**12,898,848**	11,908,119

14- SHARE CAPITAL

Capital is divided into 5,000,000 shares (2016: 5,000,000 shares) of SR 10 each (2016:10 each).

15- DIVIDENDS

The shareholders in their meeting held on 23 April 2017 approved the paid interim cash dividends of SR 5.124 per share totaling SR 25.62 million that was approved by the board of director's in their meeting held on 12 March 2017.

The board of directors approved at their meeting held on 31 December 2017 the distribution of interim dividends of SR 10.23 per share amounting to SR 51.14 million.

16- RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled or significantly influences by such parties. Following is the list of related parties of the Company:

Name of related party	Nature of relationship
Edarat group SAL	Associate

The transactions with related parties are as follows:

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

Related party	Nature of transaction	Amount of transaction	
		2017	2016
		SR	SR
Associate	Purchases	**4,603,488**	4,760,700
	Sales	**755,804**	-
	Rental income	**317,098**	332,219

Following are the details of the amount due from related party

	2017	2016
	SR	SR
Edarat Group SAL	**787,193**	787,193

b- Transactions and balances with shareholders are as follows:

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

	Amount of transaction	
	2017	2016
	SR	SR
Salaries and benefits	**495,999**	410,621

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

	2017	2016
	SR	SR
Other payable	**-**	-

17- GENERAL AND ADMINISTRATION EXPENSES

	2017	2016
	SR	SR
Employees cost	**22,738,000**	20,851,151
Rent	**2,481,044**	2,536,805
Contractual penalties	**1,388,693**	643,982
Professional fees	**1,225,299**	330,250
Withholding tax expense	**1,035,584**	2,700,975
Office supplies	**728,044**	977,046
Provision for doubtful receivables (note 4)	**536,784**	399,161
Depreciation (note 7)	**339,948**	357,565
Postage and communication	**322,086**	576,329
Travel	**309,208**	401,183
Amortization (note 9)	**307,119**	346,059
Others	**635,111**	366,237
	32,046,920	30,486,743

18- SELLING AND DISTRIBUTION EXPENSES

	2017	2016
	SR	SR
Employees cost	**7,499,367**	9,316,281
Advertising and sales promotion	**4,300,358**	3,214,348
	11,799,725	12,530,629

19- EARNINGS PER SHARE

Earnings per share for the year ended 31 December 2017 and 2016 have been computed by dividing the income from main operations and net income for the year by the weighted-average number of ordinary shares of 5 million outstanding during the year 31 December 2017 and 2016 respectively.

20- SEGMENT INFORMATION

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

E-Services Unit

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

Geographical Information System Unit

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

Hardware & System Integration Unit

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

Information Security System Unit

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

Networking Unit

The business unit's main responsibility is to build efficient and cost effective networks and communication solutions based on technologies from various leading ICT.

Operation & Maintenance Unit

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

Corporate

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

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

20- SEGMENTAL INFORMATION (continued)

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

Business segments Year ended December 31,2017	E-Services Unit	Solutions Unit	Systems Unit	Information Security Systems Unit	Networking Unit	Operation and Maintenance Unit	Corporate	Total
	SR	SR	SR	SR	SR	SR	SR	SR
Sales	134,902,703	321,099,404	84,011,001	77,546,016	94,890,230	130,350,789	-	**842,800,143**
Cost of sales	(76,944,629)	(290,409,338)	(73,988,944)	(67,883,748)	(80,850,749)	(114,392,746)	-	**(704,470,154)**
Gross profit	57,958,074	30,690,066	10,022,057	9,662,268	14,039,481	15,958,043	-	**138,329,989**
Operating and finance expenses	-	-	-	-	-	-	(56,108,310)	**(56,108,310)**
Share in income of associate	-	-	-	-	-	-	(524,885)	**(524,885)**
Other income	-	-	-	-	-	-	1,584,704	**1,584,704**
Income before zakat	57,958,074	30,690,066	10,022,057	9,662,268	14,039,481	15,958,043	(55,048,491)	**83,281,498**
Total assets	-	-	-	-	-	-	706,821,443	**706,821,443**
Total liabilities	-	-	-	-	-	-	510,363,827	**510,363,827**

20- SEGMENTAL INFORMATION (continued)

Year ended December 31,2016	E-Services Unit	Solutions Unit	Systems Unit	Information Security Systems Unit	Networking Unit	Operation and Maintenance Unit	Corporate	Total
	SR	SR	SR	SR	SR	SR	SR	SR
Sales	93,593,699	268,066,080	53,372,819	70,279,651	72,143,067	96,568,227	-	**654,023,543**
Cost of sales	(60,772,300)	(241,495,336)	(46,479,706)	(60,508,992)	(59,422,872)	(86,881,554)	-	**(555,560,760)**
Gross profit	32,821,399	26,570,744	6,893,113	9,770,659	12,720,195	9,686,673	-	**98,462,783**
Operating and finance expenses	-	-	-	-	-	-	(57,478,338)	**(57,478,338)**
Share in income of associate	-	-	-	-	-	-	(752,352)	**(752,352)**
Other income	-	-	-	-	-	-	1,172,930	**1,172,930**
Income before zakat	32,821,399	26,570,744	6,893,113	9,770,659	12,720,195	9,686,673	(57,057,760)	**41,405,023**
Total assets	-	-	-	-	-	-	542,868,581	**542,868,581**
Total liabilities	-	-	-	-	-	-	372,077,600	**372,077,600**

21- CONTINGENT LIABILITIES

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

	2017	2016
	SR	SR
Guarantees given in the ordinary course of business:		
Letters of credit	**15,967,314**	26,035,643
Letters of guarantee	**113,178,199**	115,901,894
	129,145,513	141,937,537

22- RISK MANAGEMENT

Commission rate risk

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

Credit risk

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

Liquidity risk

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

Currency risk

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

23- FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

24- KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of accounts receivable

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

Useful lives of property and equipment

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

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

25- APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 22 Rajab 1439 H, (corresponding to 8 April 2018).

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

Financial Statements

31 December 2016

EY
Building a better working world

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

Scope of audit

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

Unqualified opinion

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

i) present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as these affect the preparation and presentation of the financial statements.

for Ernst & Young

Waleed G. Tawfiq
Certified Public Accountant
Registration No. 437

Riyadh: 27 Jumada Al-Thani 1438H
(26 March 2017)

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

BALANCE SHEET

As at 31 December 2016

	Note	2016 SR	2015 SR
ASSETS			
CURRENT ASSETS			
Cash and bank balances	3	**50,686,661**	44,561,496
Accounts receivable	4	**470,389,719**	475,685,707
Prepayments and other receivables	5	**16,719,735**	11,401,713
Investments held for trading	6	**-**	43,634
Due from an associate	17	**787,193**	780,381
TOTAL CURRENT ASSETS		**538,583,308**	532,472,931
NON-CURRENT ASSETS			
Available for sale investments	7	**43,850**	-
Property and equipment	8	**890,750**	1,058,469
Investments in associates	9	**2,585,468**	3,337,820
Intangible assets	10	**765,205**	882,157
TOTAL NON-CURRENT ASSETS		**4,285,273**	5,278,446
TOTAL ASSETS		**542,868,581**	537,751,377
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short term loans	12	**162,182,837**	215,241,688
Accrued expenses and other liabilities	11	**98,727,996**	58,618,142
Accounts payable		**92,223,871**	85,606,581
Zakat payable	13	**7,034,777**	7,044,453
TOTAL CURRENT LIABILITIES		**360,169,481**	366,510,864
NON-CURRENT LIABILITY			
Employees' terminal benefits	14	**11,908,119**	10,912,300
TOTAL LIABILITIES		**372,077,600**	377,423,164
SHAREHOLDERS' EQUITY			
Share capital	15	**50,000,000**	50,000,000
Statutory reserve		**25,000,000**	25,000,000
Fair value reserve	7	**216**	-
Retained earnings		**95,790,765**	85,328,213
TOTAL SHAREHOLDERS' EQUITY		**170,790,981**	160,328,213
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**542,868,581**	537,751,377

The attached notes 1 to 26 form part of these financial statements.

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

STATEMENT OF INCOME

For the year ended 31 December 2016

	Note	2016 SR	2015 SR
Sales		**654,023,543**	716,805,490
Cost of sales		**(555,560,760)**	(619,934,523)
GROSS PROFIT		**98,462,783**	96,870,967
EXPENSES			
General and administration	18	**(30,486,743)**	(30,640,038)
Selling and distribution	19	**(12,530,629)**	(12,387,153)
INCOME FROM MAIN OPERATIONS		**55,445,411**	53,843,776
Financial charges		**(14,460,966)**	(9,081,045)
Other income, net		**1,172,930**	634,274
INCOME BEFORE SHARE IN RESULTS OF ASSOCIATES AND ZAKAT		**42,157,375**	45,397,005
Share in results of associates	9	**(752,352)**	392,240
INCOME BEFORE ZAKAT		**41,405,023**	45,789,245
Zakat	13	**(5,321,318)**	(4,882,439)
NET INCOME FOR THE YEAR		**36,083,705**	40,906,806
EARNINGS PER SHARE	20		
From main operations		**11.09**	10.77
From net income		**7.22**	8.18
Weighted average number of shares outstanding		**5,000,000**	5,000,000

The attached notes 1 to 26 form part of these financial statements.

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 SR	2015 SR
OPERATING ACTIVITIES			
Income before zakat		**41,405,023**	45,789,245
Adjustments for:			
Depreciation of property and equipment	8	**357,565**	378,199
Amortisation	10	**346,059**	322,440
Share in results of associates	11	**752,352**	(392,240)
Gain on sale of property and equipment		**(7,000)**	(5,228)
Unrealized gain on investments held for trading		**-**	(41,007)
Provision for employees' terminal benefits	14	**3,831,144**	3,266,059
Provision for doubtful receivables	4	**399,161**	644,140
Provision for doubtful advances to suppliers	5	**121,745**	-
		47,206,049	49,961,608
Changes in operating assets and liabilities:			
Accounts receivable		**4,896,827**	(160,142,139)
Prepayments and other receivables		**(5,888,240)**	(1,133,853)
Due from an associate		**(6,812)**	(39,348)
Accounts payable		**6,617,290**	41,209,013
Accrued expenses and other liabilities		**40,109,854**	2,259,402
Cash from (used in) operations		**92,934,968**	(67,885,317)
Employees terminal benefits paid	14	**(2,835,325)**	(1,282,094)
Zakat paid	13	**(4,882,521)**	(3,924,410)
Net cash from (used in) operating activities		**85,217,122**	(73,091,821)
INVESTING ACTIVITIES			
Purchase of property and equipment	8	**(189,846)**	(616,426)
Purchase of intangible assets	10	**(229,107)**	(801,560)
Proceeds from disposal of property and equipment		**7,000**	5,228
Dividends received from associates	9	**-**	562,500
Net cash used in investing activities		**(411,953)**	(850,258)
FINANCING ACTIVITIES			
Net (repayments) proceeds from short term loans		**(53,058,851)**	65,672,983
Dividends paid	16	**(25,621,153)**	(25,318,295)
Net cash (used in) from financing activity		**(78,680,004)**	40,354,688
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**6,125,165**	(33,587,391)
Cash and cash equivalents at the beginning of the year		**44,561,496**	78,148,887
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**50,686,661**	44,561,496

The attached notes 1 to 26 form part of these financial statements

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHODERS' EQUITY

For the year ended 31 December 2016

	Capital SR	Statutory reserve SR	Fair value reserve SR	Retained earnings SR	Total SR
Balance at 1 January 2015	50,000,000	25,000,000	-	69,739,702	**144,739,702**
Net income for the year	-	-	-	40,906,806	**40,906,806**
Dividends (note 16)	-	-	-	(25,318,295)	**(25,318,295)**
Balance at 31 December 2015	50,000,000	25,000,000	-	85,328,213	**160,328,213**
Net income for the year	-	-	-	36,083,705	**36,083,705**
Dividends (note 16)	-	-	-	(25,621,153)	**(25,621,153)**
Unrealized gain on AFS (note 7)	-	-	216	-	**216**
Balance at 31 December 2016	50,000,000	25,000,000	216	95,790,765	**170,790,981**

The attached notes 1 to 26 form part of these financial statements

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENT

At 31 December 2016

1- ACTIVITIES

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

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

Pearl Centre, King Abdulaziz road,

P.O.Box 16116, Riyadh 11464, Kingdom of Saudi Arabia

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

Accounting convention

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

Use of estimate

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

Cash and bank balances

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

Short term bank deposits

Short term bank deposits are readily convertible into known amounts of cash and have a maturity of more than three months but less than one year when purchased.

Accounts receivable

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

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Unbilled receivables

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

Investments in associates

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

Investments held for trading

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

Available for sale investments

These investments represents unquoted shares which are bought not with the intention of trading purposes and are stated at fair value. Changes in fair value are credited or charged to the statement of changes in shareholders' equity. Where there is an objective evidence that investments may be impaired, the estimated recoverable amount of those investments is determined and any impairment loss for the difference between the recoverable amount and the carrying amount is recognised in the statement of income. In assessing impairment, expected future cash flows and other factors are taken into consideration.

Where partial holdings are sold, the related carrying values of such investments are accounted for on a weighted average basis.

Property and equipment

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

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

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

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

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

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

Accounts payable and accruals

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

Provisions

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

Loans and borrowings

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

Employees' terminal benefits

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

Statutory reserve

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

Zakat

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

Revenue recognition

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

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

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

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

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

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency translations

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

Expenses

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

Impairment and un-collectability of financial assets

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

For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of income;

For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Dividends

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

Segment reporting

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

3- CASH AND BANK BALANCES

	2016	2015
	SR	SR
Bank balances	**47,986,661**	41,861,496
Short term bank deposits	**2,700,000**	2,700,000
	50,686,661	44,561,496

4- ACCOUNTS RECEIVABLE

	2016 SR	2015 SR
Trade accounts receivable	**331,275,836**	330,607,291
Unbilled receivable	**144,843,994**	150,409,366
	476,119,830	481,016,657
Less :provision for doubtful debts	**(5,730,111)**	(5,330,950)
	470,389,719	475,685,707

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

	Total	< 30 days	31 - 60 days	61 - 90 days	91 - 180 days	> 181 days
2016	**325,545,725**	**110,350,362**	**33,304,705**	**14,289,495**	**61,200,639**	**106,400,524**
2015	325,276,341	73,492,646	41,872,553	46,834,494	52,832,060	110,244,588

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

Movements in the allowance for doubtful debts were as follows:

	2016	2015
	SR	SR
At the beginning of the year	**5,330,950**	4,686,810
Provision for the year (note 18)	**399,161**	644,140
At the end of the year	**5,730,111**	5,330,950

Included in trade accounts receivable are amounts totalling SR 274,974,347 (2015: SR 259,263,655) due from Government and quasi Government institutions.

In addition, the five largest non Government customers account for 12% of the outstanding trade accounts receivable at 31 December 2016 (2015: 10%).

5- PREPAYMENTS AND OTHER RECEIVABLES

	2016	2015
	SR	SR
Margin on letters of credit and guarantees	**8,913,124**	6,056,179
Advance to suppliers	**4,244,347**	2,283,310
Prepaid rent	**1,511,002**	1,575,305
Advances to employees	**1,064,769**	1,220,132
Prepaid insurance	**339,068**	293,083
Prepaid government fees	**104,000**	24,000
Other receivables	**1,277,578**	562,112
Less: provision for doubtful advances to suppliers	**(734,153)**	(612,408)
	16,719,735	11,401,713

6- INVESTMENTS HELD FOR TRADING

	2016	2015
	SR	SR
Fair value:		
At the beginning of the year	**43,634**	2,627
Unrealised gains for the year	**-**	41,007
Transfer to available for sale investment	**(43,634)**	-
At the end of the year	**-**	43,634

These investments represent unquoted shares in a mutual fund.

7- AVAILABLE FOR SALE INVESTMENTS

	2016	2015
	SR	SR
Fair value:	**-**	-
At the beginning of the year	**-**	-
Transfer from investments held for trading	**43,634**	-
Unrealised gains for the year	**216**	-
At the end of the year	**43,850**	-

8- PROPERTY AND EQUIPMENT

	Equipment	Motor vehicles	Furniture and fixtures	Total 2016	Total 2015
	SR	SR	SR	SR	SR
Cost:					
At the beginning of the year	9,809,873	1,242,059	1,804,181	**12,856,113**	12,239,687
Additions	189,846	-	-	**189,846**	616,426
Disposals	-	(97,500)	-	**(97,500)**	-
At the end of the year	9,999,719	1,144,559	1,804,181	**12,948,459**	12,856,113
Depreciation:					
At the beginning of the year	9,106,143	1,242,049	1,449,452	**11,797,644**	11,419,445
Charge for the year (note 18)	265,212	-	92,353	**357,565**	378,199
Disposals	-	(97,500)	-	**(97,500)**	-
At the end of the year	9,371,355	1,144,549	1,541,805	**12,057,709**	11,797,644
Net book amount:					
At 31 December 2016	628,364	10	262,376	**890,750**	-
At 31 December 2015	703,730	10	354,729	**-**	1,058,469

9- INVESTMENTS IN ASSOCIATES

	Percentage of ownership	2016	2015
		SR	SR
Edarat Group SAL-Lebanon (“Edarat SAL”)	50%	224,724	303,682
Edarat Co For Communication And Information Technology (“Edarat”)	50%	1,081,237	525,799
Phoenicia Teech worldwide Inc.-Lebanon (“Phoenicia”)	50%	1,279,507	2,508,339
		2,585,468	3,337,820

Movement in investment in associates is as follows:

	Edarat SAL	Phoenicia	Edarat	Total
	SR	SR	SR	SR
January 1, 2015	291,010	2,328,539	888,531	3,508,080
Share in net income	12,671	179,801	199,768	392,240
Dividends received	-	-	(562,500)	(562,500)
December 31, 2015	303,681	2,508,340	525,799	3,337,820
Share in net (loss) income	(78,958)	(1,228,832)	555,438	(752,352)
December 31, 2016	224,723	1,279,508	1,081,237	2,585,468

10- INTANGIBLE ASSETS

Movement in intangible assets during the year was as follows:

	ERP software microsoft dynamics	Application development project	Other softwares	Total 2016	Total 2015
	SR	SR	SR	SR	SR
Cost:					
At the beginning of the year	712,471	4,532,387	1,371,784	6,616,642	5,815,082
Additions	-	-	229,107	229,107	801,560
At 31 December	712,471	4,532,387	1,600,891	6,845,749	6,616,642
Amortisation:					
At the beginning of the year	712,468	4,532,387	489,630	5,734,485	5,412,045
Charged during the year (note 18)	-	-	346,059	346,059	322,440
At 31 December	712,468	4,532,387	835,689	6,080,544	5,734,485
Net carrying value					
At 31 December	3	-	765,202	765,205	882,157

11- ACCRUED EXPENSES AND OTHER LIABILITIES

	2016 SR	2015 SR
Accrued project costs	**74,424,747**	38,211,441
Withholding tax payable (note 13)	**18,943,522**	16,242,547
Accrued employee costs	**4,532,202**	2,934,516
Accrued utilities	**-**	572,436
Others	**827,525**	657,202
	98,727,996	58,618,142

12- SHORT TERM LOANS

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

13- ZAKAT

Charge for the year

The zakat charge consists of:

	2016 SR	2015 SR
Charge for the year	**5,321,318**	4,882,439

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

	2016 SR	2015 SR
Equity	**134,707,060**	119,421,407
Opening allowances and other adjustments	**35,260,137**	29,818,257
Book value of long term assets	**(2,015,291)**	(5,546,231)
	167,951,906	143,693,433
Zakatable income for the year	**44,900,823**	51,604,137
Zakat base	**212,852,729**	195,297,570

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

13- ZAKAT (continued)

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

	2016 SR	2015 SR
At the beginning of year	**7,044,453**	6,086,424
Provided during the year	**5,321,318**	4,882,439
Payments during the year	**(4,882,521)**	(3,924,410)
Reversal during the year	**(448,473)**	-
At the end of year	**7,034,777**	7,044,453

Status of assessments

The Company has finalized its zakat assessment with the General Authority for Zakat and Tax (GAZT formerly, DZIT) up to year 2007 and obtained the final zakat assessment. The Company has filed the zakat returns for the years from 2008 to 2015 which are still under review by GAZT. The assessments are yet to be raised by the GAZT for years 2008 to 2015 and the outcome cannot be reasonably determined.

During 2011, the Company received final assessment with the GAZT for the years 2006 and 2007 for which showed an additional withholding tax liability of SR 6,097,791. The Company filed an appeal against the assessment which is currently with the Board of Grievance (BOG), paid the total amount under protest and recognized it in the statement of income. The Company has also submitted a bank guarantee to the GAZT for the delay penalties amounting to SR 2,608,207.

At the balance sheet date, a reasonable estimate of the outcome and ultimate tax liability were assessed by the management based on their estimates for the years ended 31 December 2008 to 31 December 2016, and have provided for these liabilities in the financial statements. The Company has recognized the liability after taking into account advice from its zakat advisor (note 11).

14- EMPLOYEES' TERMINAL BENEFITS

The movements in employees' terminal benefits are as follows:

	2016	2015
	SR	SR
At the beginning of the year	**10,912,300**	8,928,335
Charge for the year	**3,831,144**	3,266,059
Payments during the year	**(2,835,325)**	(1,282,094)
At the end of the year	**11,908,119**	10,912,300

15- SHARE CAPITAL

Capital is divided into 5,000,000 shares (2015: 5,000,000 shares) of SR 10 each (2015:10 each).

16- DIVIDENDS

The board of directors in their meeting held on 12 March 2017 approved the distribution of interim dividends of SR 5.124 per share totaling SR 25.62 million.

The shareholders in their general assembly meeting held on 15 May 2016 approved the distribution of cash dividends of SR 5.063 per share totaling SR 25.32 million as proposed by the board of directors.

17- RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled or significantly influences by such parties. Following is the list of related parties of the Company:

Name of related party	Nature of relationship
Edarat group SAL	Associate

a- The transactions with related parties are as follows:

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

Related party	Nature of transaction	Amount of transaction	
		2016	2015
		SR	SR
Associate	Purchases	**4,760,700**	8,688,655
	Rental income	**332,219**	331,605

Following are the details of the amount due from related party

	2016	2015
	SR	SR
Edarat Group SAL	**787,193**	780,381

b- Transactions and balances with shareholders are as follows:

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

	Amount of transaction	
	2016	2015
	SR	SR
Salaries and benefits	**410,621**	727,614

	2016	2015
	SR	SR
Other payable	**-**	8,947

18- GENERAL AND ADMINISTRATION EXPENSES

	2016	2015
	SR	SR
Employees cost	**20,851,151**	22,005,725
Withholding tax expense	**2,700,975**	1,531,766
Rent	**2,536,805**	2,261,220
Office supplies	**977,046**	1,037,211
Contractual penalties	**643,982**	735,793
Postage and communication	**576,329**	289,996
Travel	**401,183**	514,263
Depreciation (note 8)	**357,565**	378,199
Amortization (note 10)	**346,059**	322,440
Professional fees	**330,250**	705,750
Provision for doubtful receivables (note 4)	**399,161**	644,140
Others	**366,237**	213,535
	30,486,743	30,640,038

19- SELLING AND DISTRIBUTION EXPENSES

	2016	2015
	SR	SR
Employees cost	**9,316,281**	8,463,218
Advertising and sales promotion	**3,214,348**	3,923,935
	12,530,629	12,387,153

20- EARNINGS PER SHARE

Earnings per share for the year ended 31 December 2016 and 2015 have been computed by dividing the income from main operations and net income for the year by the weighted-average number of ordinary shares of 5 million outstanding during the year 31 December 2016 and 2015 respectively.

21-SEGMENT INFORMATION

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

E-Services Unit

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

Geographical Information System Unit

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

Hardware & System Integration Unit

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

Information Security System Unit

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

Networking Unit

The business unit's main responsibility is to build efficient and cost effective networks and communication solutions based on technologies from various leading ICT.

Operation & Maintenance Unit

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

Corporate

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

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

21- SEGMENTAL INFORMATION (continued)

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

Business segments Year ended December 31,2016	E-Services Unit	Geographic information Systems unit	Hardware and systems integration unit	Information Security systems unit	Networking unit	Operation and maintenance unit	Corporate	Total
	SR	SR	SR	SR	SR	SR	SR	SR
Sales	93,593,699	48,272,389	273,166,510	70,279,651	72,143,067	96,568,227	-	**654,023,543**
Cost of sales	(60,772,300)	(43,354,433)	(244,620,609)	(60,508,992)	(59,422,872)	(86,881,554)	-	**(555,560,760)**
Gross profit	32,821,399	4,917,956	28,545,901	9,770,659	12,720,195	9,686,673	-	**98,462,783**
Operating and finance expenses	-	-	-	-	-	-	(57,478,338)	**(57,478,338)**
Share in income of associate	-	-	-	-	-	-	(752,352)	**(752,352)**
Other income	-	-	-	-	-	-	1,172,930	**1,172,930**
Income before zakat	32,821,399	4,917,956	28,545,901	9,770,659	12,720,195	9,686,673	(57,057,760)	**41,405,023**
Total assets	-	-	-	-	-	-	542,868,581	**542,868,581**
Total liabilities	-	-	-	-	-	-	372,077,600	**372,077,600**

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENT (continued)

At 31 December 2016

21- SEGMENTAL INFORMATION (continued)

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

22- CONTINGENT LIABILITIES

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

	2016	2015
	SR	SR
Guarantees given in the ordinary course of business:		
Letters of credit	**26,035,643**	11,742,269
Letters of guarantee	**115,901,894**	91,289,123
	114,937,537	103,031,392

23- RISK MANAGEMENT

Commission rate risk

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

Credit risk

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

Liquidity risk

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

Currency risk

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

24- FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

25- KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of accounts receivable

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

Useful lives of property and equipment

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

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

26- APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 27 Jumada Al-Thani 1438H (corresponding to 26 March 2017).

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

Financial Statements

31 December 2015

EY
Building a better working world

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

Scope of audit

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

Unqualified opinion

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

i) present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as these affect the preparation and presentation of the financial statements.

for Ernst & Young

Waleed G. Tawfiq
Certified Public Accountant
Registration No. 437

Riyadh: 7 Rajab 1437H
(14 April 2016)

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

BALANCE SHEET

As at 31 December 2015

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

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

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

STATEMENT OF INCOME

Year ended 31 December 2015

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

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

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS

Year ended 31 December 2015

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

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

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2015

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

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

Al Moammar Information Systems Company

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENT

At 31 December 2015

1- ACTIVITIES

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

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

Pearl Centre, King Abdulaziz road,

P.O.Box 16116, Riyadh 11464, Kingdom of Saudi Arabia

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

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

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

2- SIGNIFICANT ACCOUNTING POLICIES

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

Accounting convention

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

Use of estimate

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

Cash and cash equivalents

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

Accounts receivable

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

Unbilled receivables

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

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments held for trading

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

Property and equipment

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

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

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

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

Investments in an associates

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

Intangible assets

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

Loans and borrowings

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

Accounts payable and accruals

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

Zakat

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

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

Employees' terminal benefits

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

Statutory reserve

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

Revenue recognition

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

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

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

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

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

Expenses

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

Foreign currencies

Foreign currency translations

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

Dividends

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

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and un-collectability of financial assets

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

a- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of income;

b- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

c- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Segment reporting

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

3- CASH AND CASH EQUIVALENTS

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

4- ACCOUNTS RECEIVABLE

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

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

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

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

4- ACCOUNTS RECEIVABLE (continued)

Movements in the allowance for doubtful debts were as follows:

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

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

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

5- PREPAYMENTS AND OTHER RECEIVABLES

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

6- INVESTMENTS HELD FOR TRADING

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

These investments represent unquoted shares in a mutual fund.

7- PROPERTY AND EQUIPMENT

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

8- INVESTMENTS IN ASSOCIATES

The investments are held in the following companies:

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

Movement in investments in associates is as follows :

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

9- INTANGIBLE ASSETS

Movement in intangible assets during the year was as follows:

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

10- ACCRUED EXPENSES AND OTHER LIABILITIES

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

11- SHORT TERM LOANS

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

12- ZAKAT

Charge for the year

The zakat charge consists of:

	2015 SR	2014 SR
Charge for the year	**4,882,439**	6,344,079

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

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

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

Movements in provision during the year

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

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

Status of assessments

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

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

13- EMPLOYEES' TERMINAL BENEFITS

The movements in employees' terminal benefits are as follows:

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

14- CAPITAL

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

15- DIVIDENDS

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

16- RELATED PARTY TRANSACTIONS AND BALANCES

Following is the list of related parties of the Company:

Associate	Nature of relationship
Edarat group SAL	Associate

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

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

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

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

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

	2015	2014
	SR	SR
Edarat Group SAL	**780,381**	741,033

16- RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b- Transactions and balances with shareholders are as follows:

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

	Amount of transaction	
	2015	2014
	SR	SR
Salaries and benefits	727,614	542,908

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

	2015	2014
	SR	SR
Other payable	4,104	8,947

17- GENERAL AND ADMINISTRATION EXPENSES

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

18- SELLING AND DISTRIBUTION EXPENSES

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

19- EARNINGS PER SHARE

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

20- SEGMENT INFORMATION

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

E-Services Unit

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

Geographical Information System Unit

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

Hardware & System Integration Unit

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

Information Security System Unit

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

Networking Unit

The business unit's main responsibility is to build efficient and cost effective networks and communication solutions based on technologies from various leading ICT.

Operation & Maintenance Unit

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

Corporate

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

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

20- SEGMENTAL INFORMATION (continued)

Corporate

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

Business segments

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

20- SEGMENTAL INFORMATION (continued)

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

21- RECTIFICATION OF AN ERROR

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

a- Error in the computation of the incurred project cost and its related unbilled revenue.

b- The Company taking prudent steps to provide for withholding taxes for years ended 31 December 2008 to 31 December 2014. These have been adjusted by the management based on their best estimate and advice from its zakat advisor.

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

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

	2013 SR Previously stated	2013 SR Effect of restatement	2013 SR Restated
Unbilled receivables	-	**5,282,502**	5,282,502
Accrued project cost	9,633,955	**(4,675,403)**	4,958,552
Net profit for the year	69,594,788	**607,099**	70,201,887

22- CONTINGENT LIABILITIES

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

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

23- RISK MANAGEMENT

Commission rate risk

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

Credit risk

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

Liquidity risk

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

Currency risk

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

24- FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

25- KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of accounts receivable

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

Useful lives of property and equipment

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

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

26- COMPARATIVE FIGURES

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

27- APPROVAL OF FINANCIAL STATEMENTS

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

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