

AL MOAMMAR INFORMATION SYSTEMS COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
together with the
INDEPENDENT AUDITOR'S REPORT

AL MOAMMAR INFORMATION SYSTEMS COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Al Moammar Information Systems Company - A Saudi Joint Stock Company - ("the Company" or "the Parent Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

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

Key Audit Matters

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

Independent Auditor’s Report to the Shareholders of Al Moammar Information Systems Company (A Saudi Joint Stock Company) (continued)

Key Audit Matters (continued)

Key Audit Matters	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>The Group has recognized revenue from operations amounting to SR 1.2 billion for the year ended 31 December 2024 (2023: SR 1.5 billion), as per the accounting policy described in note 5.2 and note 23 for related disclosure. The Group's revenue includes revenue from sale of hardware, licensing of software products, maintenance, manpower and consulting services either sold separately or bundled into various categories.</p> <p>Revenue is a key audit matter due to the complexity and judgment involved in applying IFRS 15, Revenue from contracts with customers. Factors contributing to this complexity include complex contractual arrangements, determining performance obligations, principal vs agent relationships, transaction pricing, and the timing of revenue recognition.</p>	<ul style="list-style-type: none"> • Assessed Group's revenue recognition policy and its compliance in terms of IFRS 15; • Assessed the relevant design and implementation of internal controls related to revenue recognition; • Reviewed customer contracts on a sample basis to understand key terms, deliverables, and obligations; • Assessed the timing of revenue recognition at a point in time or over period of time as per the requirements of IFRS 15; • Evaluated the appropriateness of principal (gross) or agent (net) treatment based on the standard's criteria and compared findings to management's conclusion; • Assessed the identified performance obligations to ensure they accurately reflect the contractual commitments; • Assessed the allocation of transaction prices to distinct performance obligations on a sample basis; • Verified revenue recognition on a sample basis by reviewing supporting documentation (BOQs, POs, invoices, payroll, delivery notes, job completion certificates, customer acknowledgments) and comparing to the Group's calculations; and • Assessed the adequacy of the related disclosures in the accompanying consolidated financial statements.

Independent Auditor's Report to the Shareholders of Al Moammar Information Systems Company (A Saudi Joint Stock Company) (continued)

Key Audit Matters (continued)

Key Audit Matters	How our audit addressed the key audit matter
Allowance for expected credit losses against trade receivables and contract assets:	
<p>As at 31 December 2024, the Group gross trade receivables and contract assets amounted to SR 725.9 million (2023: SR 697.4 million) and SR 1.1 billion (2023: SR 0.8 billion) respectively, against which an allowance for expected credit loss of SR 53.6 million (2023: SR 56.3 million) and SR 72.9 million (2023: SR 72.3 million) has been recorded.</p> <p>The Group calculated expected credit losses using the simplified approach under IFRS 9, Financial Instruments. This model considers various factors, including historical loss rates, customer profiles, default probabilities, loss given default, discount rates, and macroeconomic conditions.</p> <p>Given the significant estimation uncertainty and judgment required to assess the appropriateness and adequacy of allowances for expected credit losses related to trade receivables and contract assets, this area is considered a key audit matter.</p> <p>Refer to note 5.7 for the accounting policy and note 9A and 10 for related disclosures.</p>	<ul style="list-style-type: none"> • Obtained a thorough understanding of the Group's approach to determining allowances for expected credit loss, including the methodology used, key data used, and underlying assumptions in the calculations; • Involved our internal experts to evaluate the expected credit loss (ECL) model. Tested key assumptions related to forward-looking data, examined model inputs and techniques, and assessed the model's overall suitability for the Group's trade receivable and contract asset customers; • We assessed the Group's application of relevant assumptions into the estimation of expected credit losses. Additionally, we tested the mathematical accuracy and computational integrity of the allowances using identical input data as employed by the Group; • We conducted procedures to evaluate the methodology used for the allowance for expected credit losses, including the consideration of current and projected economic conditions. We also assessed the computation of the allowance for expected credit losses and the completeness and accuracy of information used in estimating the probability of default; and • Assessed the adequacy of the related disclosures in the accompanying consolidated financial statements.

Other matters

The consolidated financial statements of the Group for the year ended 31 December 2023, were audited by another auditor who expressed an unmodified opinion on those financial statements on 31 March 2024 (Corresponding to 21 Ramadan 1445 (H)).

Independent Auditor's Report to the Shareholders of Al Moammar Information Systems Company (A Saudi Joint Stock Company) (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2024, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

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

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

Independent Auditor's Report to the Shareholders of Al Moammar Information Systems Company (A Saudi Joint Stock Company) (continued)

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

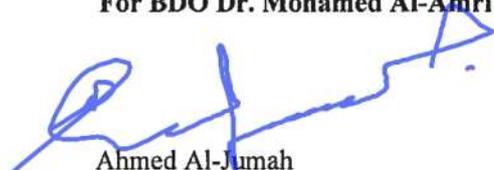
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies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

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

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

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

For BDO Dr. Mohamed Al-Amri & Co.



Ahmed Al-Jumah
Certified Public Accountant
Registration No. 621



Riyadh, on 10 April 2025 (G)
Corresponding to: 12 Shawwal 1446 (H)

AL MOAMMAR INFORMATION SYSTEMS COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

	<i>Note</i>	31 December 2024 SR	31 December 2023 SR
ASSETS			
Non-current assets			
Property and equipment	6	34,515,351	37,506,419
Intangible assets	7	13,486,057	3,868,853
Equity-accounted investees	8A	18,896,002	15,885,121
Investments classified at Fair Value through Profit or Loss (FVTPL)	8B	177,967,563	-
Trade and other receivables	10	145,931,698	22,468,386
Contract assets	9A	75,465,013	10,283,608
Contract costs	9B	9,906,866	11,057,878
Total non-current assets		476,168,550	101,070,265
Current assets			
Contract assets	9A	985,102,210	694,834,858
Contract costs	9B	271,961,908	109,438,300
Trade and other receivables	10	540,991,232	631,741,087
Prepayments and other assets	11	117,193,936	126,848,445
Investments classified at Fair Value through Profit or Loss (FVTPL)	8B	-	25,000,000
Inventories	12	7,284,934	2,555,222
Cash and bank balances	13	179,061,534	162,665,473
Total current assets		2,101,595,754	1,753,083,385
TOTAL ASSETS		2,577,764,304	1,854,153,650
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	14	300,000,000	300,000,000
Other reserves	16A	11,308,259	9,748,399
Treasury shares	16B	-	(12,447,944)
Retained earnings / (accumulated losses)		112,080,824	(10,412,333)
Total shareholders' equity		423,389,083	286,888,122
Liabilities			
Non-current liabilities			
Employee benefits	18	24,415,195	24,697,800
Total non-current liabilities		24,415,195	24,697,800
Current liabilities			
Loans and borrowings	21	878,471,184	619,294,498
Trade payables and other liabilities	22	1,009,341,271	716,520,229
Contract liabilities	19	236,236,714	197,055,144
Provision for Zakat	28	5,910,857	9,697,857
Total current liabilities		2,129,960,026	1,542,567,728
Total liabilities		2,154,375,221	1,567,265,528
Total shareholders' equity and liabilities		2,577,764,304	1,854,153,650



Ibrahim Abdullah Al Moammar
Vice Chairman, Board of Directors



Dr. Abdullah AlGhamdi
Chief Executive Officer



Karim Mohamed Awny Gaffar
Chief Financial Officer

The accompanying notes from 1 to 36 form an integral part of consolidated financial statements.

AL MOAMMAR INFORMATION SYSTEMS COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2024

	<i>Note</i>	2024 SR	2023 SR
Revenue	23	1,212,982,515	1,459,714,733
Cost of revenue	24	(955,214,861)	(1,213,935,880)
Gross profit		257,767,654	245,778,853
General and administration expenses	25	(114,042,745)	(81,236,817)
Selling and marketing expenses	26	(24,764,765)	(15,356,021)
Reversal / (allowance) for expected credit losses against the trade receivables and contract assets	9A, 10	2,019,298	(87,445,445)
Income from operations		120,979,442	61,740,570
Other income		5,496,306	4,623,208
Share of profit of equity-accounted investees	8A	6,913,997	7,077,402
Gain on disposal of shares in equity-accounted investees	8A	57,532,443	-
Gain in fair value in investments at FVTPL, net	8B	15,503,596	-
Finance costs	27	(83,473,651)	(53,010,494)
Finance income		8,310,930	3,974,161
Income before Zakat		131,263,063	24,404,847
Zakat expense	28	(6,861,456)	(10,431,491)
Net income for the year		124,401,607	13,973,356
Other comprehensive profit			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurements gain on employees' defined benefit obligations	18	1,559,860	3,523
Other comprehensive income		1,559,860	3,523
Total comprehensive income for the year		125,961,467	13,976,879
Earnings per share:			
Basic and diluted earnings per share of net income for the year	29	4.15	0.47


Ibrahim Abdullah Al Moammar
Vice Chairman, Board of
Directors

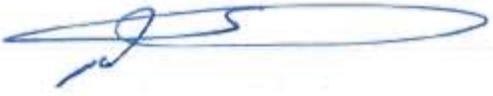

Dr. Abdullah AlGhamdi
Chief Executive Officer


Karim Mohamed Awany Gaffar
Chief Financial Officer

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AL MOAMMAR INFORMATION SYSTEMS COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2024

	Share capital	Statutory reserve	Other reserves	Treasury Shares reserve	Retained earnings / (accumulated losses)	Total shareholders' equity
	SR	SR	SR	SR	SR	SR
As at 1 January 2023	300,000,000	9,586,376	9,744,876	-	51,767,686	371,098,938
Net income for the year	-	-	-	-	13,973,356	13,973,356
Other comprehensive income for the year	-	-	3,523	-	-	3,523
Total comprehensive income for the year	-	-	3,523	-	13,973,356	13,976,879
Loss on disposal of treasury shares (note 16B)	-	-	-	-	(4,739,751)	(4,739,751)
Transfer to retained earnings (note 15)	-	(9,586,376)	-	-	9,586,376	-
Purchase of treasury shares (note 16B)	-	-	-	(12,447,944)	-	(12,447,944)
Dividends (note 17)	-	-	-	-	(81,000,000)	(81,000,000)
Balance as at 31 December 2023	<u>300,000,000</u>	<u>-</u>	<u>9,748,399</u>	<u>(12,447,944)</u>	<u>(10,412,333)</u>	<u>286,888,122</u>
As at 1 January 2024	300,000,000	-	9,748,399	(12,447,944)	(10,412,333)	286,888,122
Net income for the year	-	-	-	-	124,401,607	124,401,607
Other comprehensive income for the year	-	-	1,559,860	-	-	1,559,860
Total comprehensive income for the year	-	-	1,559,860	-	124,401,607	125,961,467
Loss on disposal of treasury shares (note 16B)	-	-	-	-	(1,908,450)	(1,908,450)
Return from sell of treasury shares (note 16B)	-	-	-	12,447,944	-	12,447,944
Balance as at 31 December 2024	<u>300,000,000</u>	<u>-</u>	<u>11,308,259</u>	<u>-</u>	<u>112,080,824</u>	<u>423,389,083</u>


Ibrahim Abdullah Al Moammar
Vice Chairman, Board of Directors


Dr. Abdullah A Ghamdi
Chief Executive Officer


Karim Mohamed Awny Gaffar
Chief Financial Officer

The accompanying notes from 1 to 36 form an integral part of consolidated financial statements.

AL MOAMMAR INFORMATION SYSTEMS COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2024

	31 December 2024	31 December 2023
Note	SR	SR
Operating activities		
Net income for the year	124,401,607	13,973,356
<i>Adjustments for:</i>		
Depreciation of property and equipment	6 3,655,685	3,700,695
Amortization of intangible assets	7 3,786,413	2,682,891
Share of profit of equity-accounted investees	8A (6,913,997)	(7,077,402)
(Reversal) / allowance of expected credit losses on trade receivables and contract assets, net	9A,10 (2,019,298)	87,445,445
Employee benefits charges	18 7,937,308	7,168,740
Finance costs	27 83,473,651	53,010,494
Finance income	(8,310,930)	(3,974,161)
Gain from disposal of shares in equity-accounted investee shares	8A (57,532,443)	-
Gain on fair value in investments at FVTPL, net	8B (15,503,596)	-
Zakat expense	28 6,861,456	10,431,491
	<u>139,835,856</u>	<u>167,361,549</u>
<i>Changes in working capital:</i>		
Contract assets	9A (356,119,119)	(114,010,195)
Contract costs	9B (161,372,596)	(94,755,091)
Trade and other receivables	(30,023,797)	(175,485,430)
Prepayments and other assets	9,654,509	65,109,379
Inventories	(4,729,712)	(1,046,477)
Trade payables and other liabilities	292,952,739	214,276,926
Contract liabilities	39,181,570	(135,546,073)
Net cash used in operations	<u>(70,620,550)</u>	<u>(74,095,412)</u>
Employee benefits paid	18 (6,660,053)	(5,359,177)
Zakat paid	28 (10,648,456)	(9,380,885)
Net cash used in operating activities	<u>(87,929,059)</u>	<u>(88,835,474)</u>
Investing activities		
Purchase of property and equipment	6 (664,617)	(584,845)
Purchase of intangible assets	7 (13,403,617)	(1,056,973)
Finance income	8,310,930	3,974,161
Investments at FVTPL	(137,463,967)	-
Disposal of equity accounted investee	8A 61,435,559	-
Net cash (used in)/ from investing activities	<u>(81,785,712)</u>	<u>2,332,343</u>
Financing activities		
Proceeds from loans and borrowings	21 1,703,426,349	1,604,536,480
Repayment of loans and borrowings	21 (1,453,139,103)	(1,356,184,891)
Finance costs paid	21 (74,584,211)	(52,999,723)
Payment of lease liabilities		
- Principle	(131,697)	(268,000)
- Interest	20 -	(10,767)
Loss on treasury shares, net	16B (1,908,450)	(4,739,751)
Proceeds from selling of treasury shares	16B 12,447,944	(12,447,944)
Advance of purchase of treasury shares	2,732,359	(2,732,359)
Dividend paid	17 -	(81,000,000)
Net cash used in financing activities	<u>188,843,191</u>	<u>94,153,045</u>
Net change in cash and cash equivalents	<u>19,128,420</u>	<u>7,649,914</u>
Cash and cash equivalents at the beginning of the year	<u>159,933,114</u>	<u>152,283,200</u>
Cash and cash equivalents at the end of the year	<u>13 179,061,534</u>	<u>159,933,114</u>

Ibrahim Abdullah Al Moammar
Vice Chairman, Board of Directors

Dr. Abdullah AlGhamdi
Chief Executive Officer

Karim Mohamed Awny Gaffar
Chief Financial Officer

The accompanying notes from 1 to 36 form an integral part of consolidated financial statements.

AL MOAMMAR INFORMATION SYSTEMS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024

1. CORPORATE INFORMATION

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

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

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

The Company is registered in KSA with the following branches as at 31 December 2024:

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

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

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

During December 2021, the Group incorporated a wholly owned subsidiary “Excellence Application Solutions Company” (A one person Company) under commercial registration number 1010764928 with a paid-up share capital of SR 65,000,000. The primary business of this wholly owned subsidiary is to engage with clients to nurture bold ideas and build innovative technology solutions by offering its expertise derived from its employees with long experience in managing such businesses, technical strength in the development of technologies and digital integration. The Company engages in developing leading-edge platforms and products such as buy now pay later, marketplace and open banking solutions.

During 2023, the subsidiary received permit approval from the Saudi Central Bank (“SAMA”) to carry out the Buy Now Pay Later (“BNPL”) activities in KSA under the name of MIS pay. However, the subsidiary has commenced its operations.

During April 2023, the Group incorporated a wholly owned subsidiary “Excellence Solution for Information technology Company” (A one person Company) under commercial registration number 1010875044 with the share capital of SR 100,000. The primary business of this wholly owned subsidiary is to engage in providing information and Telecommunication solutions services, Softwares deployment, other communication activities, Computer programming activities, Computer consulting expertise and facilities management activities, Data processing, web hosting and related activities. However, the subsidiary has not commenced its operations as the year ended 31 December 2024.

During April 2023, the Group incorporated a wholly owned subsidiary “Integrated Excellence Information Technology Company” (A one person Company) under commercial registration number 1010878145 with the share capital of SR 100,000. The primary business of this wholly owned subsidiary is to engage to build a one-stop home solution and living needs by solving all the cumbersome purchasing tasks. However, the subsidiary has not commenced its operations as the year ended 31 December 2024.

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

These consolidated financial statements were approved by the Board of Directors on 10 April 2025 corresponding to 12 Shawwal 1446 (H).

AL MOAMMAR INFORMATION SYSTEMS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024

2. BASIS OF PRESENTATION

2.1 Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in KSA and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Going concern

These consolidated financial statements have been prepared on a going concern basis. In assessing the going concern assumption, the management has considered the current and expected operational levels and available facilities to meet the requirements as they fall due. The facilities are subject to certain financial covenants. Certain covenants breaches are noted as at 31 December 2024. Breaches of covenants as per bank procedures are tested on an annual basis upon receipt of annual financial statements. There have been some delays in collections from the customers, however the risk of default is considered low, considering the significant amount of receivables are from governmental customers and continue to be received. Also, the Group continues to work with its suppliers to source equipment to meet its contractual needs.

3. USE OF JUDGEMENTS AND ESTIMATES

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

Judgements

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

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

Assumptions and estimation uncertainties

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

- Note 5.7, 5.8, 5.10, 6 and 7: Impairment of non-financial assets, Property and equipment and Intangibles assets.
- Note 5.7 and 31: Measurement of ECL allowance for trade receivables and contract assets: Key assumptions in determining the expected credit loss provision.
- Note 5.8 and 5.10: Useful lives and residual values of property and equipment and intangible assets.
- Note 5.15 and 18: Measurement of employee benefits obligations: Key actuarial assumptions.
- Note 5.5 and 28: Provision for Zakat.

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4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

4.1 New standards, interpretations, and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the International Accounting Standards Board (“IASB”) that are effective in future accounting periods that the Group has decided not to adopt early.

<u>Standards</u>	<u>Title</u>	<u>Effective date</u>
IAS 21	Amendment – Lack of Exchangeability	1 January 2025
IFRS 9 and IFRS 7	Amendments regarding the classification and measurement of financial instruments	1 January 2026
Annual Improvements to IFRS Accounting Standards	Amendments/Annual improvements in IFRS 1, IFRS 7, IFRS 9, IFRS 10, IAS 7	1 January 2026
IFRS 18	Presentation and Disclosures in Financial Statements	1 January 2027
IFRS 19	Disclosures – Subsidiaries without Public Accountability	1 January 2027

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not expect any standard issued by IASB that are yet to be effective, to have a material impact on the Group.

4.2 New standards, interpretations, and amendments effective in the current year

The following are the new standards, interpretations and amendments to standards that are effective in the current year but they have no impact on these financial statements.

<u>Standards</u>	<u>Title</u>	<u>Effective date</u>
IFRS 16	Amendment – Lease Liability in a Sale and Leaseback	1 January 2024
IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024
IAS 1	Amendment – Non-current Liabilities with Covenants	1 January 2024
IAS 7 and IFRS 7	Amendment – Supplier Finance Arrangements	1 January 2024

5. MATERIAL ACCOUNTING POLICIES

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

5.1 Fair value measurement

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

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

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

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

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

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.1 Fair value measurement (continued)

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

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

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

5.2 Revenue recognition

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

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

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

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

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

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.2 Revenue recognition (continued)

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

In determining the transaction price, the Group adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed by the customer provides the Group with a significant benefit of financing the transfer of goods or services to the customer. If a significant financing component is identified, Group separates it from the transaction price and account for it separately. The amount of the significant financing component is determined by calculating the difference between the cash selling price and the discounted selling price, reflecting the implied rate of interest.

The Group recognise revenue at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer (ie the cash selling price).

However, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Principal versus agent

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

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

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

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

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

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

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.2 Revenue recognition (continued)

Hardware revenue

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

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

Software revenue

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

Where a complex interfacing or a specialized configuration of the third-party software license is performed by the entity to enable customer to derive its intended benefit from the software within the

context of the contract, it generally results in the Group acting as a principal for the integrated performance obligation of software license and the implementation services and the revenue is recorded on a gross-basis.

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

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

Post contract support revenue

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

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

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

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

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.2 Revenue recognition (continued)

Services revenue

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

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

Cloud subscription revenue

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

Systems integration services revenue

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

Managed services revenue

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

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

The Group previously used to assess managed service revenues in relation to operation and maintenance contracts as a single performance obligation as opposed to multiple performance obligations for individual services provided. During the year, the Group has quantified the impact of identifying multiple performance obligations on revenue and found it to be immaterial.

Data center revenue

In 2021, the Group entered into a contract with its customer to build data centers. The Group has applied the significant judgement while assessing the performance obligations under revenue from contracts with customers. The Group entered into separate contracts with customer to build data centers. These contracts involve various promises including design, procurement and construction of the data centers. The Group evaluates whether it is a principal or an agent under these contracts.

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.2 Revenue recognition (continued)

Data center revenue (continued)

The Group assessed that it is acting as a principal where it is responsible to make the decisions around effective utilization of internal resources and/or vendors/sub-contractor in implementation services and in the eventual delivery of the deliverables fulfilling the customer's requirements. Where the Group is the primary obligor within the context of the contract and has the direct responsibility to provide the services, the revenue is recorded on a gross basis as a principal.

The Group further assesses whether the promises under these contracts involve a significant service of integrating the goods or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output or outputs for which the customer has contracted. Accordingly, the Group assesses its promises to transfer goods or services to the customer under these contracts are not separately identifiable within the context of the contract and represents a single performance obligation to build the data centers for the customer.

In addition, under the terms of the contracts, the Group assesses that its performance creates an asset that the customer controls as the asset is created and recognizes revenue over the period of the contract as the performance obligation is satisfied over time. The Group applies the input method to recognize revenue based on cost incurred as a percentage of total estimated cost towards satisfying the performance obligation.

The Group evaluates if such contracts include defect and warranty periods following completion of the project. These are not deemed to be separate performance obligations and therefore estimated and included in the total costs of the contracts. Where required, amounts are recognized according to IAS 37 as provisions.

Any non-cash consideration receivable under the contract from the customer is measured at fair value. The fair value of the non-cash consideration is determined at each billing date based on the terms of the contract. Where such non-cash consideration includes financial asset, these are subsequently re-measured at the reporting date in accordance with the Group's policy.

5.3 Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2024. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.3 Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (“OCI”) are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Subsidiaries

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

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

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

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

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

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

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

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

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.4 Cost of sales and expenses

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

5.5 Zakat and Value Added Tax (VAT)

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

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

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

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

5.6 Cash and cash equivalents

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

5.7 Financial instruments

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

Recognition and initial measurement

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

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

Financial assets

Classification of financial assets

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

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

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

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.7 Financial instruments (continued)

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

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

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

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

Subsequent measurement

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

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

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

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

Reclassifications

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

Derecognition

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

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.7 Financial instruments (continued)

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

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

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

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

Loss allowances are measured on either of the following bases:

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

Measurement of ECLs

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

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

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

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

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

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.7 Financial instruments (continued)

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

Presentation of impairment

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

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Write-off

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

Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

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

Financial liabilities

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

Derecognition

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

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

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.7 Financial instruments (continued)

Offsetting

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

5.8 Property and equipment

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

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

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

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

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

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

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

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The Group periodically reviews estimated useful lives and the depreciation method to ensure that the method and year of depreciation are consistent with the expected pattern of economic benefits derived from these assets.

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

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

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.9 Leases

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

i. As a lessee

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

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

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

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

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

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

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

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

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

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.9 Leases (continued)

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

Short-term leases and leases of low-value assets

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

5.10 Intangible assets

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

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

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

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

5.11 Impairment of non-financial assets

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

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

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

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

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

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.12 Equity-accounted investees

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

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

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

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

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

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

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

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

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

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

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

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.12 Equity-accounted investees (continued)

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

There is significant judgement involved in assessing Edarat Telecommunication and Information Technology Company 'Edarat' as an associate. In forming the judgement, management has assessed Edarat's Board structure, its voting power in Edarat, independent board members, Edarat's business activities along with other factors such as Edarat's shareholding structure.

5.13 Dividends

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

5.14 Provisions

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

5.15 Employee benefits

Short-term obligations

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

Employees' defined benefit obligations

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

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

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

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

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.15 Employee benefits (continued)

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

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

5.16 Segment reporting

An operating segment is a component of the Group:

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

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

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

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

A geographical segment is a group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments. The Group only operates in KSA and accordingly has no geographical segment. Refer note 32 for information related to each reportable segment.

5.17 Finance income and cost

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

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

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

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6. PROPERTY AND EQUIPMENT

	For the year ended 31 December 2024					<i>Total SR</i>
	<i>Land SR</i>	<i>Building* SR</i>	<i>Equipment SR</i>	<i>Motor vehicles SR</i>	<i>Furniture and fixtures SR</i>	
2024						
<i>Cost</i>						
As at 1 January 2024	8,122,900	30,459,035	16,806,132	1,349,887	3,531,007	60,268,961
Additions	-	-	481,043	-	183,574	664,617
As at 31 December 2024	8,122,900	30,459,035	17,287,175	1,349,887	3,714,581	60,933,578
<i>Accumulated depreciation</i>						
As at 1 January 2024	-	5,475,286	14,054,288	1,218,056	2,014,912	22,762,542
Charge for the year	-	1,605,092	1,240,812	44,357	765,424	3,655,685
As at 31 December 2024	-	7,080,378	15,295,100	1,262,413	2,780,336	26,418,227
<i>Net book value</i>						
As at 31 December 2024	8,122,900	23,378,657	1,992,075	87,474	934,245	34,515,351

* Building includes right-of-use assets at net book value of SR Nil (2023: SR 153,047) related to leased office premises that do not meet the definition of investment property (Note 20).

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6. PROPERTY AND EQUIPMENT (CONTINUED)

	For the year ended 31 December 2023					
	<i>Land</i> SR	<i>Building*</i> SR	<i>Equipment</i> SR	<i>Motor</i> <i>vehicles</i> SR	<i>Furniture</i> <i>and fixtures</i> SR	<i>Total</i> SR
<u>2023</u>						
<i>Cost</i>						
As at 1 January 2023	8,122,900	30,425,433	16,358,599	1,287,687	3,489,497	59,684,116
Additions	-	33,602	447,533	62,200	41,510	584,845
As at 31 December 2023	8,122,900	30,459,035	16,806,132	1,349,887	3,531,007	60,268,961
<i>Accumulated depreciation</i>						
As at 1 January 2023	-	3,759,068	12,826,044	1,180,328	1,296,407	19,061,847
Charge for the year	-	1,716,218	1,228,244	37,728	718,505	3,700,695
As at 31 December 2023	-	5,475,286	14,054,288	1,218,056	2,014,912	22,762,542
<i>Net book value</i>						
As at 31 December 2023	8,122,900	24,983,749	2,751,844	131,831	1,516,095	37,506,419

* Building includes right-of-use assets at net book value of SR 153,047 (2023: SR 421,883) related to leased office premises that do not meet the definition of investment property (Note 20).

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7. INTANGIBLE ASSETS

	For the year ended 31 December 2024			
	<i>ERP software SR</i>	<i>Application development SR</i>	<i>Other software SR</i>	<i>Total SR</i>
<i>Cost</i>				
As at 1 January 2024	5,629,807	4,532,387	6,361,069	16,523,263
Additions	1,327,960	-	12,075,657	13,403,617
As at 31 December 2024	6,957,767	4,532,387	18,436,726	29,926,880
<i>Accumulated amortization</i>				
As at 1 January 2024	4,481,253	4,532,387	3,640,770	12,654,410
Charge for the year	1,672,884	-	2,113,529	3,786,413
As at 31 December 2024	6,154,137	4,532,387	5,754,299	16,440,823
<i>Net book value</i>				
As at 31 December 2024	803,630	-	12,682,427	13,486,057
			31 December 2024 SR	31 December 2023 SR
Classification of amortization cost				
Cost of revenue			1,475,043	-
General and administration expenses			2,311,370	2,682,891
			3,786,413	2,682,891

	For the year ended 31 December 2023			
	<i>ERP software SR</i>	<i>Application development SR</i>	<i>Other software SR</i>	<i>Total SR</i>
<i>Cost</i>				
As at 1 January 2023	4,572,834	4,532,387	6,361,069	15,466,290
Additions	1,056,973	-	-	1,056,973
As at 31 December 2023	5,629,807	4,532,387	6,361,069	16,523,263
<i>Accumulated amortization</i>				
As at 1 January 2023	2,339,414	4,532,387	3,099,718	9,971,519
Charge for the year	2,141,839	-	541,052	2,682,891
As at 31 December 2023	4,481,253	4,532,387	3,640,770	12,654,410
<i>Net book value</i>				
As at 31 December 2023	1,148,554	-	2,720,299	3,868,853

8. INVESTMENTS

8A. EQUITY-ACCOUNTED INVESTEEES

<u>Name of associates</u>	<u>Principal activities</u>	<u>Place of incorporation and principal place of business</u>	<u>% age holding*</u>
Edarat Group SAL	Technology based solutions	Lebanon	50%
Edarat Telecommunication and Information Technology Company	Development, installation and maintenance of computer hardware and software	Kingdom of Saudi Arabia	30%
Phoenicia Tech Worldwide Inc. – BVI	Technology based solutions	British Virgin Island	50%

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

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8. INVESTMENTS (CONTINUED)

8A. EQUITY-ACCOUNTED INVESTEEES (CONTINUED)

The movement in investment in associates was as follows:

	<i>Edarat Group SAL SR</i>	<i>Edarat Telecommunication and Information Technology Company ** SR</i>	<i>Phoenicia Tech Worldwide Inc. SR</i>	<i>Total SR</i>
As at 1 January 2023	164,516	8,583,830	59,373	8,807,719
Share of profit / (loss)	103,836	7,028,634	(55,068)	7,077,402
As at 31 December 2023	268,352	15,612,464	4,305	15,885,121
Share of profit	(236,861)	7,155,163	(4,305)	6,913,997
Disposal of investment	-	(3,903,116)	-	(3,903,116)
As at 31 December 2024	31,491	18,864,511	-	18,896,002

**During the year ended 31 December 2024, the Company sold 126,000 shares out of total held shares aggregate to 504,000 shares having carrying value of SR 3,903,116 at a sale proceeds of SR 61,435,559 resulting in gain on disposal of shares amounting to SR 57,532,443. As at 31 December 2024, the fair value of the investment in the associate based on the quoted market price at the Nomu (parallel market) amounted to SR 519,976,800 (2023: SR 95,039,280).

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

2024	<i>Edarat Group SAL</i>	<i>Edarat Telecommunication and Information Technology Company</i>	<i>Phoenicia Tech Worldwide Inc.</i>
Net assets (in SR)	62,983	62,881,704	(8,963)
Group share of net assets	50%	30%	50%
Carrying amount of interest in associate (in SR)	31,491	18,864,511	-
2023	<i>Edarat Group SAL</i>	<i>Edarat Telecommunication and Information Technology Company</i>	<i>Phoenicia Tech Worldwide Inc.</i>
Net assets (in SR)	536,704	39,031,160	8,610
Group share of net assets	50%	40%	50%
Carrying amount of interest in associate (in SR)	268,352	15,612,464	4,305

The following table summarises aggregated financial information of Group's associates. The information disclosed reflects the amounts presented in the consolidated financial statements of the associates as of 31 December 2024 and 2023.

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8. INVESTMENTS (CONTINUED)

8A. EQUITY-ACCOUNTED INVESTEEES (CONTINUED)

2024	<i>Amounts in SAR</i>		
	<i>Edarat Telecommu nication and Information Technology Company</i>	<i>Others</i>	<i>Total</i>
<i>Summary of statement of financial position</i>			
Current assets	76,963,554	576,190	77,539,744
Non-current assets	12,541,037	373,209	12,914,246
Current liabilities	20,036,186	821,733	20,857,919
Non-current liabilities	6,586,703	73,646	6,660,349
<i>Summary of statement of profit or loss and other comprehensive income</i>			
Revenue	104,566,253	356,126	104,922,379
Cost of sales	(59,256,708)	-	(59,256,708)
Gross profit	45,309,545	356,126	45,665,671
General and administration expenses	(17,474,225)	(372,440)	(17,846,665)
Finance costs	(322,889)	(4,247)	(327,136)
Other income/(expense)-net	(84,197)	(23,517)	(107,714)
Zakat/tax and other expenses	(2,764,970)	-	(2,764,970)
Loss in remeasurement of liability for employment benefits	(680,798)	-	(680,798)
	23,982,466	(44,078)	23,938,388

2023	<i>Amounts in SAR</i>		
	<i>Edarat Telecommu nication and Information Technology Company</i>	<i>Others</i>	<i>Total</i>
<i>Summary of statement of financial position</i>			
Current assets	49,919,388	1,251,335	51,170,723
Non-current assets	10,796,011	2,148,863	12,944,874
Current liabilities	16,257,895	2,742,198	19,000,093
Non-current liabilities	5,426,344	112,686	5,539,030
<i>Summary of statement of profit or loss and other comprehensive income</i>			
Revenue	80,237,279	1,056,550	81,293,829
Cost of sales	(45,644,719)	-	(45,644,719)
Gross profit	34,592,560	1,056,550	35,649,110
General and administration expenses	(15,671,753)	(1,221,154)	(16,892,907)
Finance costs	(382,339)	(21,208)	(403,547)
Other income	1,069,191	649,027	1,718,218
Zakat/tax and other expenses	(2,036,075)	(7,060)	(2,043,135)
	17,571,584	456,155	18,027,739

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8. INVESTMENTS (CONTINUED)

8B. Investments classified at Fair Value through Profit or Loss (FVTPL)

The investments classified at fair value through profit and loss include:

	31 December 2024 SR	31 December 2023 SR
Vision Bank (A)	14,250,000	25,000,000
International companies specialized in the field of artificial intelligence (A.I) (B)	37,780,790	-
X. AI Corp. (C)	3,793,720	-
Saudi Data Centers Fund (D)	122,143,053	-
	177,967,563	25,000,000
	31 December 2024 SR	31 December 2023 SR
Classification of investments classified at FVTPL		
Investment classified at FVTPL, non-current	177,967,563	-
Investment classified at FVTPL, current	-	25,000,000
	177,967,563	25,000,000

All these investments are classified as level 3 of fair value hierarchy. There were no transfers between fair value hierarchy levels.

- A) The Group has an investment in Vision Bank Limited ('the Bank'), which was initially accounted for at the cost of acquisition of SR 25,003,596 in 2023. The Group has chosen to account for the investment at fair value through profit or loss. The Bank has obtained regulatory licenses from relevant authorities and is currently in pre-operation phase including development of its IT infrastructure and recruitment and training of staff. The Bank has yet to commence operations. During the year ended 31 December 2024, there was a decrease in the fair value of the investment by SR 9,500,000 and the investment was reclassified from current to non-current.
- B) The Board of Directors in their meeting held on to 29 Jumada Al-Ula 1445H (corresponding to 10 January 2024) resolved to allocate SR 40,000,000 to establish an investment portfolio via self-financing to invest in international companies specialized in the field of artificial intelligence (A.I). On 21 January 2024, the Group placed and invested the funds in three major and leading international companies based in the United States of America in the field of AI. The Group accounted for the investment in these companies at the cost of acquisitions of SR 37,780,790 which per management approximate fair values. The Group has chosen to account for the investment at fair value through profit or loss. Subsequent to the reporting date, one of these entities with fair value of SR 31,500,000 at 31 December 2024 was disposed off and the Group realized a fair value gain of SR 12,750,000.
- C) During the year ended 31 December 2024, the Group had additionally invested to the minimum subscription packet value (SPV) amounting to USD 1,000,000 in one of the AI companies based outside the Kingdom of Saudi Arabia. The Group has transferred the funds fees to the funder's Company during the reporting period.
- D) During the year ended 31 December 2024, Company had obtained 9,395,619 units in the Saudi Data Centers Fund 1 (the "Fund") with nominal value of SR 10 each amounting in total SR 93,956,190. The Company is expected to receive 10% of the fee for completed works relating to data centers design and construction contract in-kind units of the Fund's up to 10% of the Fund's total equity. During the year ended 31 December 2024, there was an increase in the fair value of the investment by SR 25,003,596. These units are classified as investment at fair value through profit and loss.

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9A. CONTRACT ASSETS

	31 December 2024 SR	31 December 2023 SR
Unbilled receivables*	1,133,505,963	777,386,844
Less: Allowance for expected credit loss on contract assets	(72,938,740)	(72,268,378)
	<u>1,060,567,223</u>	<u>705,118,466</u>
Classification of contract assets		
Unbilled receivables, non-current	75,465,013	10,283,608
Unbilled receivables, current	985,102,210	694,834,858
	<u>1,060,567,223</u>	<u>705,118,466</u>

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

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

	31 December 2024 SR	31 December 2023 SR
Opening balance	777,386,844	663,376,649
Additions	1,394,556,654	1,159,656,605
Invoicing during the year	(1,038,437,535)	(1,045,646,410)
Closing balance	<u>1,133,505,963</u>	<u>777,386,844</u>

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

	31 December 2024 SR	31 December 2023 SR
Opening balance	72,268,378	13,084,787
Charge during the year	670,362	59,183,591
Closing balance	<u>72,938,740</u>	<u>72,268,378</u>

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9B. CONTRACT COSTS

	31 December 2024 SR	31 December 2023 SR
Classification of contract costs		
Contract costs, non-current	9,906,866	11,057,878
Contract costs, current	<u>271,961,908</u>	<u>109,438,300</u>
	<u>281,868,774</u>	<u>120,496,178</u>

The movement of contract cost balance is as follows:

	31 December 2024 SR	31 December 2023 SR
Opening balance	120,496,178	25,741,087
Additions during the year	387,031,272	165,162,979
Amortization during the year	<u>(225,658,676)</u>	<u>(70,407,888)</u>
Closing balance	<u>281,868,774</u>	<u>120,496,178</u>

It includes incurred costs in respect of long-term IT support contracts, which will generate resources that will be used in satisfying these contracts and are expected to be recovered. They were therefore recognised as an asset for costs to fulfil contracts. The asset is amortised on a straight-line basis over the term where the Group is principal in the performance obligation.

10. TRADE AND OTHER RECEIVABLES

	31 December 2024 SR	31 December 2023 SR
Trade receivables - external*	725,853,185	697,413,658
Less: Allowance for expected credit loss on trade receivables	<u>(53,600,655)</u>	<u>(56,290,315)</u>
	<u>672,252,530</u>	<u>641,123,343</u>
Other receivables	<u>14,670,400</u>	<u>13,086,130</u>
	<u>686,922,930</u>	<u>654,209,473</u>
Classification of trade receivable		
	31 December 2024 SR	31 December 2023 SR
Trade receivables - non-current	145,931,698	22,468,386
Trade and other receivables – current	<u>540,991,232</u>	<u>631,741,087</u>
	<u>686,922,930</u>	<u>654,209,473</u>

* Trade receivables include SR 406,664,162 (2023: SR 484,640,699) due from government or government - controlled entities which represent the vast majority of the total receivables.

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10. TRADE AND OTHER RECEIVABLES (continued)

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

	31 December 2024 SR	31 December 2023 SR
Opening balance	56,290,315	28,028,461
(Reversal) / charge during the year	(2,689,660)	28,347,370
Write off during the year	-	(85,516)
Closing balance	<u>53,600,655</u>	<u>56,290,315</u>

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

	Total SR	Not yet due SR	0-1 year SR	1-2 year SR	Above 2 years SR
31 Dec 2024	725,853,185	252,200,350	367,224,433	48,824,931	57,603,471
31 Dec 2023	697,413,658	105,792,321	480,693,085	41,530,317	69,397,935

11. PREPAYMENTS AND OTHER ASSETS

	31 December 2024 SR	31 December 2023 SR
Margin on letters of credit and guarantee	13,415,259	14,263,086
Prepaid expenses	12,144,382	9,933,420
Advances to employees	2,573,499	1,820,867
Advances to supplier*	89,142,442	101,332,926
Others	712,507	292,299
	<u>117,988,089</u>	<u>127,642,598</u>
Provision on advances to supplier	(794,153)	(794,153)
	<u>117,193,936</u>	<u>126,848,445</u>

* Primarily pertains to advances paid to suppliers related to data center project.

12. INVENTORIES

	31 December 2024 SR	31 December 2023 SR
Goods held for sales	7,484,057	2,754,345
Less: allowance for slow moving inventories	(199,123)	(199,123)
	<u>7,284,934</u>	<u>2,555,222</u>

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

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13. CASH AND BANK BALANCES

	31 December 2024 SR	31 December 2023 SR
Cash at bank - current accounts	65,701,522	98,081,318
Cash at bank – deposits*	112,565,396	61,193,413
Cash in hand	794,616	658,383
Restricted cash	-	2,732,359
	179,061,534	162,665,473

*The average rate on bank deposits is 5.5% (2023: 5.5%) with an original maturity of 7 days.

For the purposes of consolidated statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	31 December 2024 SR	31 December 2023 SR
Cash at bank - current accounts	65,701,522	98,081,318
Cash at bank – deposits*	112,565,396	61,193,413
Cash in hand	794,616	658,383
	179,061,534	159,933,114

14. SHARE CAPITAL

Share capital of SR 300,000,000 is fully paid up and is divided into 30,000,000 shares of SR 10 each.

15. STATUTORY RESERVE

The Board of Directors in their meeting held on 30 April 2023 (corresponding to 10 Shawwal 1444) recommended cancelling the statutory reserve of the Company as a part of the amendments to the Company by-laws to be in line with the new Companies' Law in Saudi Arabia (2023: SR 9,586,376).

The amendments to the Company's by-laws had been approved by the Extraordinary General Assembly meeting held on 6 August 2023 (corresponding to 19 Muharam 1445).

16A. OTHER RESERVES

Other reserves relate to remeasurement gain or losses on employees' defined benefit obligations, the amount recorded during the year amount to SR 1,559,860 (2023: SR 3,523) and balance as at 31 December 2024 is SR 11,308,259 (2023: SR 9,748,399).

16B. TREASURY SHARES

During the year ended 31 December 2023, the Company entered into market making arrangement with Al Rajhi Capital to provide continuous buying and selling of the Company shares in order to support Company's liquidity in shares trading. As at 31 December 2024, the Company held Nil (2023: 91,529) of its own shares. During the year ended 31 December 2024, the Company recorded a loss of SR 1,908,450 (2023: SR 4,739,751).

Further, the Board of Directors in their meeting held on 26 Rabie Al-Thani 1445H (corresponding to 11 October 2023) recommended to purchase 300,000 of Company's own shares which will be held as treasury shares. These purchases of the shares are subject to approval and consent of the Extraordinary General Assembly to proceed with the other institutional formality. The regulatory procedures required to enforce purchase of treasury shares were not completed as of the reporting date.

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17. DIVIDENDS

On 28 March 2025 corresponding to 28 Ramadan 1446H, the Board of Directors of the Company resolved to distribute cash dividends amounting to SR 3.2 per share aggregating to SR 96,000,000.

On 10 July 2023 corresponding to 12 Dhu hajja 1444H, the Board of Directors of the Company resolved to distribute cash dividends amounting to SR 1.5 per share aggregating to SR 45,000,000. This dividend was paid on 9 August 2023.

On 10 January 2023 corresponding to 17 Jumada-II 1444H, the Board of Directors of the Company resolved to distribute cash dividends amounting to SR 1.2 per share aggregating to SR 36,000,000. This dividend was paid on 12 March 2023.

18. EMPLOYEE BENEFITS

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

At 31 December 2024, the weighted average duration of the defined benefit obligation was 5 years (2023: 5 years).

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

	31 December 2024 SR	31 December 2023 SR
Balance as at 1 January	24,697,800	22,891,760
Included in profit or loss		
Current service cost	6,785,637	6,036,327
Interest cost	1,151,671	1,132,413
	7,937,308	7,168,740
Included in OCI		
Re-measurements:		
Change in demographic assumption	(2,557)	389,310
Change in financial assumption	(894,037)	(392,833)
Experience gain	(663,266)	-
	(1,559,860)	(3,523)
Other		
Benefit paid	(6,660,053)	(5,359,177)
Balance as at 31 December	24,415,195	24,697,800

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18. EMPLOYEE BENEFITS (CONTINUED)

Significant actuarial assumptions

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

	31 December 2024 SR	31 December 2023 SR
Discount rate	5.31%	4.65%
Salary growth rate:		
Full time employees	4%	4%
Contractual employees	0%	0%
Withdrawal rate	5% to 25%	5% to 25%
Retirement age	55 to 60 years	55 to 60 years

Sensitivity analysis

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

		31 December 2024 SR	31 December 2023 SR
Discount rate	1% increase	1,244,057	1,275,283
	1% decrease	(1,395,549)	(1,432,816)
Salary growth rate	1% increase	(1,404,601)	(1,433,337)
	1% decrease	1,274,939	1,300,006
Withdrawal rate	20% increase	379,538	430,418
	20% decrease	(391,751)	(458,004)

19. CONTRACT LIABILITIES

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

	31 December 2024 SR	31 December 2023 SR
Contract liabilities- non-current	-	-
Contract liabilities- current	236,236,714	197,055,144
	236,236,714	197,055,144

The amount of SR 139,955,891 included in contract liabilities at 31 December 2023 has been recognised as revenue in 2024 (2023: SR 282,931,422)

The movement during the year is as follows:

	31 December 2024 SR	31 December 2023 SR
Opening balance	197,055,144	332,601,216
Additions	1,014,726,355	1,029,358,350
Utilization	(975,544,785)	(1,164,904,422)
Closing balance	236,236,714	197,055,144

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20. LEASE LIABILITIES

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

	31 December 2024 SR	31 December 2023 SR
As at 1 January	131,697	388,930
Interest expense	-	10,767
Payments	(131,697)	(268,000)
	-	131,697

Lease liabilities as at year end are as follows:

	31 December 2024 SR	31 December 2023 SR
Lease liability– non-current portion	-	-
Lease liability –current-portion* (note 22)	-	131,697
	-	131,697

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

Right-of-use assets

	31 December 2024 SR	31 December 2023 SR
At 1 January	153,047	421,883
Depreciation charge for the year	(153,047)	(268,836)
	-	153,047

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

	31 December 2024 SR	31 December 2023 SR
Depreciation	131,697	268,836
Interest expense on lease liabilities (note 27)	-	10,767
	131,697	279,603

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21. LOANS AND BORROWINGS

The Group has obtained loans from various local commercial banks and other financial institutions to meet the working capital requirements. These loans are subject to certain financial covenants and are secured by promissory notes and assignment of certain contract proceeds and carry commission charges at prevailing market commission rates. Certain covenants breaches are noted as at 31 December 2024, the respective banks have issued waivers on default of covenants.

	31 December 2024 SR	31 December 2023 SR
Murabaha facilities	832,450,095	612,153,612
Conventional facilities	46,021,089	7,140,886
	878,471,184	619,294,498

Movements in loans and borrowings are shown below:

	31 December 2024 SR	31 December 2023 SR
Opening balance	619,294,498	370,942,909
Additions during the year	1,703,426,349	1,604,536,480
Repayment made during the year	(1,453,139,103)	(1,356,184,891)
Finance cost during the year	83,473,651	40,662,425
Finance cost paid during the year	(74,584,211)	(40,662,425)
Closing balance	878,471,184	619,294,498

22. TRADE PAYABLES AND OTHER LIABILITIES

	31 December 2024 SR	31 December 2023 SR
Trade payables	515,926,333	415,764,027
Accrued expenses	431,836,357	221,272,436
Amounts due to related parties (<i>note 30</i>)	29,154,145	14,066,671
Accrued salaries and other employee costs	12,732,045	7,030,768
Other payables	3,823,981	1,952,609
Lease liabilities, current (<i>note 20</i>)	-	131,697
Value added tax, net	-	29,701,451
Withholding tax payable	15,868,410	5,548,142
Notes payables	-	21,052,428
	1,009,341,270	716,520,229

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23. REVENUE

The Group revenue is derived from contracts with customers:

Disaggregation of revenue

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

<i>Timing of revenue recognition</i>	31 December 2024 SR	31 December 2023 SR
Product transferred at a point in time	378,988,049	356,714,639
Services transferred overtime	833,994,466	1,103,000,094
	<u>1,212,982,515</u>	<u>1,459,714,733</u>
	31 December 2024 SR	31 December 2023 SR
<i>Type of customers</i>		
Government and government - controlled entities	619,181,416	701,146,873
Private	593,801,099	758,567,860
	<u>1,212,982,515</u>	<u>1,459,714,733</u>
	31 December 2024 SR	31 December 2023 SR
<i>Product or service</i>		
Equipment and hardware	834,929,567	1,165,039,863
Software licenses	61,064,515	20,490,142
Maintenance services	316,988,433	274,184,728
	<u>1,212,982,515</u>	<u>1,459,714,733</u>
	31 December 2024 SR	31 December 2023 SR
<i>Revenue type - principal or agent</i>		
Revenue derives from principal	1,110,117,828	1,389,568,459
Revenue derives from agent	102,864,687	70,146,274
	<u>1,212,982,515</u>	<u>1,459,714,733</u>

24. COST OF REVENUE

	31 December 2024 SR	31 December 2023 SR
Equipment and software cost	719,734,203	938,194,009
Service and support cost	171,417,491	157,814,923
Manpower cost	64,063,167	117,926,948
	<u>955,214,861</u>	<u>1,213,935,880</u>

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25. GENERAL AND ADMINISTRATION EXPENSES

	31 December 2024 SR	31 December 2023 SR
Employees' costs	76,006,121	54,071,591
Office supplies	13,740,302	8,562,856
Professional fees	10,480,707	8,536,446
Depreciation on property and equipment (note 6)	3,653,826	3,700,695
Amortization on intangible assets (note 7)	2,311,370	2,682,891
Travel expenses	2,537,737	1,119,872
Others	4,343,072	1,557,940
Postage and communication	969,610	1,004,526
	<u>114,042,745</u>	<u>81,236,817</u>

26. SELLING AND MARKETING EXPENSES

	31 December 2024 SR	31 December 2023 SR
Employees' cost	11,218,659	10,622,692
Advertising and sales promotion	13,546,106	4,733,329
	<u>24,764,765</u>	<u>15,356,021</u>

27. FINANCE COSTS

	31 December 2024 SR	31 December 2023 SR
Finance costs on short-term loans	71,333,352	40,662,425
Finance costs on letters of credit and guarantee	7,885,403	11,692,794
Bank charges	4,254,896	644,508
Others	-	10,767
	<u>83,473,651</u>	<u>53,010,494</u>

28. PROVISION FOR ZAKAT

The Zakat charge of the year consists of current year provision amounting to SR 6,861,456 (2023: SR 10,431,491) and is based on the following:

	31 December 2024 SR
Shareholder's equity	429,299,941
Other liabilities	26,033,581
Deductible assets	(226,651,170)
Zakat base	<u>228,682,412</u>
Provision for Zakat	<u>5,910,857</u>

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28. PROVISION FOR ZAKAT (CONTINUED)

	31 December 2023 SR
Shareholders' equity, beginning	309,744,876
Opening provisions and other adjustments	59,501,665
Book value of long-term assets	(74,959,102)
Zakat base	294,287,439
Zakat prior to net adjusted profit	7,585,799
Income for the year	113,827,662
Zakat on adjusted net profit	2,845,692
	10,431,491

Movements in Zakat provision during the year

	31 December 2024 SR	31 December 2023 SR
Balance at 1 January	9,697,857	8,647,251
Charged during the year	6,861,456	10,431,491
Paid during the year	(10,648,456)	(9,380,885)
	5,910,857	9,697,857

The Group has finalized its Zakat and withholding tax assessment with the ZATCA up to the year 2016 and obtained the final Zakat and withholding tax clearance, no objections were raised for these years. Furthermore, the Group has filed the Zakat returns for the years 2017 to 2023, as well as withholding tax returns for the same years, and received the final tax certificate. However, the final assessment has yet to be issued, as those years are still under ZATCA review.

29. EARNINGS PER SHARE

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

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

	31 December 2024 SR	31 December 2023 SR
Net income for the year	124,401,607	13,973,356
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	30,000,000	29,955,547
Basic and diluted earnings per share	4.15	0.47

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30. RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended 31 December 2024, the Group entered into transaction with its related parties. The terms of those transactions are approved by management/Board of Directors in the ordinary course of business. The transactions during the year are as follows:

	31 December 2024	31 December 2023
	SR	SR
Transaction with shareholders		
Dividends paid	-	81,000,000
Transaction with Associate		
Edarat Telecommunication and Information Technology Company		
Revenue	3,331,846	49,036
Purchases	31,703,993	30,552,399

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

	31 December 2024	31 December 2023
	SR	SR
Salaries and short-term benefits	9,481,507	9,394,634
Employee benefits	377,500	438,349
	9,859,007	9,832,983

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

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

	31 December 2024	31 December 2023
	SR	SR
Due to related parties: (note 22)		
Edarat Telecommunication and Information Technology Company	29,154,145	14,066,671
	29,154,145	14,066,671

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31. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

a. Accounting classification and fair values

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

<u>Carrying value</u>	<i>Note</i>	31 December 2024 SR	31 December 2023 SR
<u><i>Financial assets at amortized cost</i></u>			
Trade receivables, net	<i>10</i>	672,252,530	641,123,343
Margin on letters of credit and guarantee	<i>11</i>	13,415,259	14,263,086
Cash and bank balances	<i>13</i>	179,061,534	162,665,473
		864,729,323	818,051,902
<u><i>Financial liabilities at amortized cost</i></u>			
Loans and borrowings	<i>21</i>	869,581,744	619,294,498
Amount due to related parties	<i>30</i>	29,154,145	14,066,671
Trade payable and other liabilities	<i>22</i>	980,740,814	638,989,072
Notes payables		-	21,052,428
		1,879,476,703	1,293,402,669

b. Financial risk and capital management

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

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

Risk management framework

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

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

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

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

b. Financial risk and capital management (continued)

i) Credit risk

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

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

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

Credit risk related to time deposit and cash deposit

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

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

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

Trade receivables and contract assets

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

ECL assessment for trade receivables and contract assets

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

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

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

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b. Financial risk and capital management (continued)

ECL assessment for trade receivables and contract assets (continued)

Trade receivables

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

	As at 31 December 2024			As at 31 December 2023		
	Weighted average loss rate	Gross carrying amount SR	Expected credit loss allowance SR	Weighted average loss rate	Gross carrying amount SR	Expected credit loss allowance SR
Current balance- not due	1.95%	187,846,609	3,631,605	5.02%	95,277,441	4,779,817
0-1 year past due	15.22%	96,121,235	14,629,870	10.86%	83,537,873	9,072,097
0-2 year past due	12.82%	12,297,858	1,576,734	21.63%	9,328,367	2,017,789
Greater than 2 year past due	47.23%	22,923,321	10,826,586	17.63%	24,629,279	4,336,484
		319,189,023	30,664,795		212,772,960	20,206,187

Trade receivables from government and government - controlled entities are SR 406,664,162 (2023: SR 484,640,699) and allowance for credit loss is calculated using simplified approach SR 22,935,860 (2023: SR 36,084,127).

	External credit rating	Weighted avg loss rate	Gross carrying amount SR	Expected credit loss allowance SR	Credit impaired SR
31 December 2024					
Low risk	A/Aa3	5.64%	406,664,162	22,935,860	-
31 December 2023					
Low risk	A1/Aa3	7.45%	484,640,699	36,084,127	-

Contract assets

The following table provides information about the exposure to credit risk and calculated ECLs using simplified approach for contract assets for private customers as at 31 December 2024.

	Weighted average loss rate	Gross carrying amount SR	Expected credit loss allowance SR	Credit impaired SR
31 December 2024	1.85%	167,907,655	3,111,970	11,859,401
31 December 2023	1.95%	147,875,545	2,877,404	8,281,734

Contract assets from government and government - controlled entities is SR 965,598,308 (2023: 629,511,299) and allowance for credit loss is calculated using simplified approach SR 7,911,451 (2023: SR 13,405,378).

	External credit rating	Weighted average loss rate	Gross carrying amount SR	Expected credit loss allowance SR	Credit impaired SR
31 December 2024					
Low risk	A/A1	0.82%	965,598,308	7,911,451	50,055,919
31 December 2023					
Low risk	A/A1	2.13%	629,511,299	13,405,378	47,703,862

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

b. Financial risk and capital management (continued)

ii) Market risk

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

Currency risk

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

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group has no significant interest bearing assets, but has interest bearing liabilities at 31 December 2024 and 31 December 2023. The Group manages its exposure to interests rate risk by continuously monitoring movements in interest rates.

Sensitivity analysis for variable rate financial instruments

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

	31 December 2024 SR	31 December 2023 SR
Floating rate	<u>SR</u>	<u>SR</u>
Increase by 50 base points	4,347,909	3,407,721
Decrease by 50 base points	(4,347,909)	(3,407,721)

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.

Equity price risk

The Group's exposure to equity price risk arises from investments at fair value through profit or loss (FVTPL). To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the board. The impact of 10% change in the price of the equities classified as financial assets at fair value through profit or loss at 31 December 2024 is SR 17,796,756 (2023: SR 2,500,000).

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

b. Financial risk and capital management (continued)

iii) Liquidity risk

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

Exposure to liquidity risk

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

<u>As at 31 December</u> <u>2024</u>	Carrying amount SR	Total SR	Within 3 months SR	4 to 6 months SR	Over 6 months SR
Loans and borrowings	878,471,184	899,193,002	412,393,082	465,070,194	21,729,726
Trade payables and other liabilities*	996,609,224	996,609,224	602,013,373	150,441,126	244,154,725
	<u>1,875,080,408</u>	<u>1,895,802,226</u>	<u>1,014,406,455</u>	<u>615,511,320</u>	<u>265,884,451</u>
<u>As at 31 December</u> <u>2023</u>	Carrying amount SR	Total SR	Within 3 months SR	4 to 6 months SR	Over 6 months SR
Loans and borrowings	619,294,498	622,593,427	366,055,767	75,566,537	180,971,122
Trade payables and other liabilities *	709,489,461	709,489,461	413,908,726	149,393,621	146,187,114
	<u>1,328,783,959</u>	<u>1,332,082,888</u>	<u>779,964,493</u>	<u>224,960,158</u>	<u>327,158,236</u>

* Excluding, accrued salaries and other employees related statutory payments whose maturities are uncertain at reporting date.

c. Capital management

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

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital above 35%; in 2024 the return was 41% (2023: 5%). The weighted-average interest expense on interest-bearing borrowings was 5.86% (2023: 7%).

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

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

c. Capital management (continued)

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

	31 December 2024 SR	31 December 2023 SR
Loans and borrowings	878,471,184	619,294,498
Trade and other liabilities	1,009,341,270	716,520,229
Less: Cash and bank balances	(179,061,534)	(162,665,473)
Net debt	1,708,750,920	1,173,149,254
Shareholders' equity	423,389,083	286,888,122
Shareholders' equity and net debt	2,132,140,002	1,460,037,376
Gearing ratio	80%	80%

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial covenants may lead to call-back of facilities. The Group did not comply with certain loan covenants during the year. However, the Group was able to obtain waiver letters from the respective banks in this regard. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 31 December 2023.

32. SEGMENT INFORMATION

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

Business Service Management Unit

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

Solutions Unit

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

Systems Unit

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

Information Technology Security Unit

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

32. SEGMENT INFORMATION (CONTINUED)

Networking Unit

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

Operation and Maintenance Unit

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

Data Center Unit

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

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32. SEGMENT INFORMATION (CONTINUED)

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

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

	Segments									Total
	Business service management Unit	Solutions Unit	Systems Unit	Information Technology Security Unit	Networking Unit	Operation and maintenance Unit	Data Center Unit	Non-segment remaining items	Subsidiaries	
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
As at 31 December 2024										
Total assets	123,734,096	478,742,078	216,277,530	198,842,116	573,279,596	218,710,080	449,742,534	270,094,661	48,341,613	2,577,764,304
Total liabilities	102,615,735	540,524,610	125,059,357	173,890,747	497,285,966	141,357,590	483,315,577	37,880,056	52,445,583	2,154,375,221
Revenue										
<u>Timings of revenue:</u>										
Sale of goods at point in time	10,332,610	39,310,828	85,283,969	43,847,275	159,191,971	32,152,271	-	-	8,869,125	378,988,049
Sale of services over period of time	5,534,848	19,063,323	11,537,793	10,684,561	88,016,666	232,097,094	461,777,754	-	5,282,427	833,994,466
<u>Type of customers:</u>										
Government and government - controlled entities	11,815,458	49,966,023	70,015,857	38,281,359	180,519,569	261,092,667	-	-	7,490,483	619,181,416
Private	4,052,001	8,408,128	26,805,906	16,250,476	66,689,069	3,156,698	461,777,754	-	6,661,067	593,801,099
<u>Principal or agent revenue:</u>										
Principal revenue	5,534,848	22,280,769	91,776,701	34,492,040	228,916,358	256,419,652	461,777,754	-	8,919,706	1,110,117,828
Agent revenue	10,332,610	36,093,382	5,045,062	20,039,796	18,292,280	7,834,469	-	-	5,227,088	102,864,687
Income (loss) before Zakat	1,681,087	21,814,209	767,128	10,692,798	14,971,462	19,302,242	32,950,340	58,364,393	(29,280,596)	131,263,063

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32. SEGMENT INFORMATION (CONTINUED)

	Segments									Total
	Business service management Unit SR	Solutions Unit SR	Systems Unit SR	Information Technology Security Unit SR	Networking Unit SR	Operation and maintenance Unit SR	Data Center Unit SR	Non- segment remaining items SR	Subsidiaries SR	
	SR	SR	SR	SR	SR	SR	SR	SR	SR	
As at 31 December 2023										
Total assets	78,315,511	162,666,009	198,620,984	146,320,758	324,289,557	321,662,668	376,678,679	231,529,353	14,070,131	1,854,153,650
Total liabilities	16,557,358	180,163,895	124,201,596	104,607,302	244,971,488	294,275,239	579,014,700	5,690,273	17,783,677	1,567,265,528
Revenue										
<u>Timings of revenue:</u>										
Sale of goods at point in time	4,238,805	16,655,317	91,032,803	32,088,402	181,396,068	31,303,244	-	-	-	356,714,639
Sale of services over period of time	4,446,786	29,558,814	23,102,847	26,933,210	120,507,783	217,908,683	641,691,074	-	38,850,897	1,103,000,094
<u>Type of customers:</u>										
Government and government - controlled entities	4,402,906	36,466,478	104,956,721	46,746,123	221,111,560	248,612,188	-	-	38,850,897	701,146,873
Private	4,282,684	9,747,652	9,178,929	12,275,489	80,792,291	599,741	641,691,074	-	-	758,567,860
<u>Principal or agent revenue:</u>										
Principal revenue	4,446,786	33,280,045	90,120,911	41,928,033	297,006,729	242,243,984	641,691,074	-	38,850,897	1,389,568,459
Agent revenue	4,238,805	12,934,086	24,014,741	17,093,578	4,897,121	6,967,943	-	-	-	70,146,274
Income (loss) before Zakat	(15,328,940)	396,430	9,691,511	1,608,016	2,435,402	809,150	21,453,183	7,026,184	(3,686,089)	24,404,847

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33. COMMITMENTS AND CONTINGENT LIABILITIES

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

Contingent liabilities

	31 December 2024 SR	31 December 2023 SR
Letters of credit	184,128,470	292,796,316
Letter of guarantees	658,163,856	507,407,976

34. RECEIVABLES FINANCING

During the year 2024, the Group sold part of its semi-government and private receivables to the bank without recourse with an aggregate amount of SR 97,915,193 (2023: SR 68,549,604).

35. COMPARATIVE FIGURES

Certain amounts in prior year consolidated financial statements have been reclassified to conform to the presentation in the current year. Specifically, in the consolidated statements of financial position and cash flows, previously reported line items 1) Trade payables and other liabilities; and 2) Other liabilities are now presented as one line item i.e., Trade payables and other liabilities.

36. SUBSEQUENT EVENTS

There are no events that have occurred subsequent to the reporting date and including the date of the approval of the consolidated financial statements which require adjustments to, or additional disclosures, in these consolidated financial statements.