

ALDUKHEIL FINANCIAL GROUP COMPANY
(A Saudi Limited Liability Company)
FINANCIAL STATEMENTS
For the year ended
31 December 2023
together with the
INDEPENDENT AUDITOR'S REPORT

ALDUKHEIL FINANCIAL GROUP COMPANY
(A Saudi Limited Liability Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2023

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KPMG Professional Services

Roshn Front, Airport Road
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤
المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholder of Aldukheil Financial Group Company

Opinion

We have audited the financial statements of **Aldukheil Financial Group Company** (the "Company"), which comprise the statement of financial position as at 31 December 2023, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities ("IFRS for SMEs") 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 the International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of SAR 40,000,000 (previously known as "KPMG Al Fozan & Partners Certified Public Accountants"). A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (٤٠٠٠٠٠٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". و هي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.



Independent Auditor's Report

To the Shareholder of Aldukheil Financial Group Company (continued)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Aldukheil Financial Group Company** (the "Company").

KPMG Professional Services

Saleh Mohammed S Mostafa
License No: 524

Riyadh: 21 Ramadan 1445H
Corresponding to: 31 March 2024



ALDUKHEIL FINANCIAL GROUP COMPANY

(A Saudi Limited Liability Company)

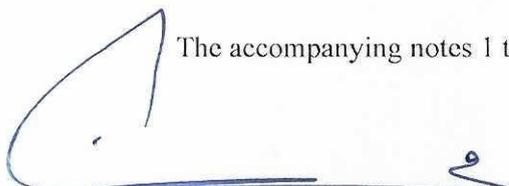
STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

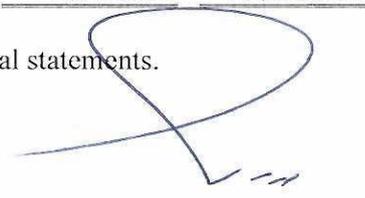
(Amount in Saudi Riyals)

	<i>Note</i>	<u>2023</u>	<u>2022</u>
ASSETS			
Cash and cash equivalents	4	1,683,988	1,405,144
Accounts receivables, net	5	2,989,750	1,152,500
Available for sale investments	6	15,813,616	15,395,243
Prepaid expenses and other assets	7	528,275	586,190
Property and equipment, net	8	8,904,051	4,291,581
Total assets		<u>29,919,680</u>	<u>22,830,658</u>
LIABILITIES AND EQUITY			
Liabilities			
Zakat payable	9	2,765,531	5,550,324
Accrued expenses and other liabilities	10	1,385,450	392,394
Accounts payable		--	133,724
Employees' end of service benefits	11	1,336,931	1,025,654
Total liabilities		<u>5,487,912</u>	<u>7,102,096</u>
Shareholder's equity			
Share capital	12	2,000,000	2,000,000
Statutory reserve	13	1,000,000	1,000,000
Retained earnings		13,375,104	4,945,308
Fair value reserve		8,056,664	7,783,254
Total shareholder's equity		<u>24,431,768</u>	<u>15,728,562</u>
Total liabilities and shareholder's equity		<u>29,919,680</u>	<u>22,830,658</u>

The accompanying notes 1 to 19 form an integral part of these financial statements.



 Chief Executive Officer

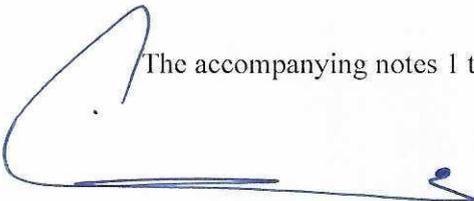


 Head of Finance

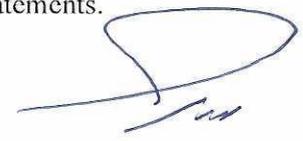
ALDUKHEIL FINANCIAL GROUP COMPANY
(A Saudi Limited Liability Company)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023
(Amount in Saudi Riyals)

	<i>Note</i>	<u>2023</u>	<u>2022</u>
Revenue			
Investment banking income		17,658,847	28,050,476
Expenses			
Salaries and employee-related expenses	15	(7,971,310)	(9,378,693)
Depreciation and amortization expense	8	(202,236)	(142,583)
Other expenses	16	(2,075,628)	(2,488,464)
Impairment loss on available for sale investments		(1,806,331)	(630,000)
Provision for impairment loss	5	(250,000)	(111,500)
		<u>(12,305,505)</u>	<u>(12,751,240)</u>
Total operating profit		<u>5,353,342</u>	<u>15,299,236</u>
Other Income		719,523	1,392,812
Income for the year before zakat		<u>6,072,865</u>	<u>16,692,048</u>
Zakat reversal / (charge) for the year	9	2,356,931	(443,837)
Net income for the year after zakat		<u>8,429,796</u>	<u>16,248,211</u>
Other comprehensive income			
<i>Items that will be reclassified to profit or loss:</i>			
Remeasurement of fair value of available for sale investments		273,410	(3,979,541)
Other comprehensive income / (loss) for the year		273,410	(3,979,541)
Total comprehensive income for the year		<u>8,703,206</u>	<u>12,268,670</u>

The accompanying notes 1 to 19 form an integral part of these financial statements.



Chief Executive Officer



Head of Finance

ALDUKHEIL FINANCIAL GROUP COMPANY

(A Saudi Limited Liability Company)

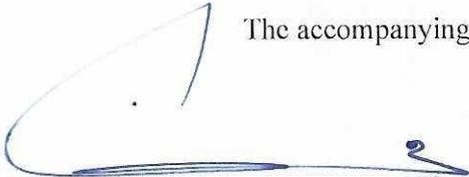
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(Amount in Saudi Riyals)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Fair value reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as at 1 January 2023	2,000,000	1,000,000	7,783,254	4,945,308	15,728,562
Net income for the year	--	--	--	8,429,796	8,429,796
Other comprehensive income for the year	--	--	273,410	--	273,410
Total comprehensive income for the year	--	--	273,410	8,429,796	8,703,206
Dividend paid	--	--	--	--	--
Balance as at 31 December 2023	2,000,000	1,000,000	8,056,664	13,375,104	24,431,768
Balance as at 1 January 2022	2,000,000	1,000,000	11,762,795	724,695	15,487,490
Net income for the year	--	--	--	16,248,211	16,248,211
Other comprehensive loss for the year	--	--	(3,979,541)	--	(3,979,541)
Total comprehensive income for the year	--	--	(3,979,541)	16,248,211	12,268,670
Dividend paid	--	--	--	(12,027,598)	(12,027,598)
Balance as at 31 December 2022	<u>2,000,000</u>	<u>1,000,000</u>	<u>7,783,254</u>	<u>4,945,308</u>	<u>15,728,562</u>

The accompanying notes 1 to 19 form an integral part of these financial statements.



Chief Executive Officer



Head of Finance

ALDUKHEIL FINANCIAL GROUP COMPANY

(A Saudi Limited Liability Company)

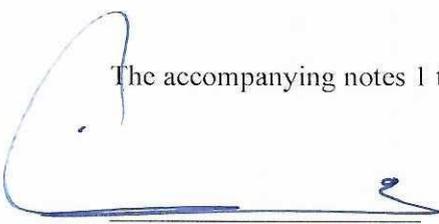
STATEMENT OF CASH FLOWS

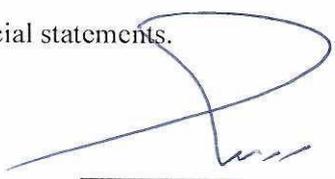
For the year ended 31 December 2023

(Amount in Saudi Riyals)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Operating activities			
Net income for the year before zakat		6,072,865	16,692,048
<i>Adjustments for:</i>			
Depreciation and amortization	8	202,236	142,583
Provision for impairment loss	5	250,000	111,500
Impairment loss on available for sale investments		1,806,331	630,000
Dividend income		(669,523)	(263,097)
Gain on investment		--	(1,121,524)
Employees' end of service benefits	11	381,277	352,464
<u>Changes in operating assets and liabilities:</u>			
Increase in account receivables		(4,038,544)	(3,646,322)
Increase in prepaid expenses and other assets		57,915	(290,529)
(Decrease)/increase in accounts payable		(133,724)	61,174
Increase/(decrease) in accrued expenses and other liabilities		993,056	(982,571)
Cash generated from operations		<u>4,921,889</u>	<u>11,685,726</u>
Employees' end of service benefits paid		(70,000)	(75,292)
Zakat paid	9	(427,862)	(187,669)
Net cash generated from operating activities		<u>4,424,027</u>	<u>11,422,765</u>
Investing activities			
Acquisition of property and equipment		(4,814,706)	(16,021)
Acquisition of investments at fair value		--	(318,994)
Dividend received		669,523	225,597
Net cash used in investing activities		<u>(4,145,183)</u>	<u>(109,418)</u>
Financing activities			
Dividend paid	14	--	(12,027,598)
Net cash used in financing activities		<u>--</u>	<u>(12,027,598)</u>
Net increase / (decrease) in cash and cash equivalents		278,844	(714,251)
Cash and cash equivalents at beginning of the year		1,405,144	2,119,395
Cash and cash equivalents at end of the year	4	<u>1,683,988</u>	<u>1,405,144</u>
Non cash transaction			
Acquisition of available for sale investment	6	<u>1,951,294</u>	<u>3,130,000</u>

The accompanying notes 1 to 19 form an integral part of these financial statements.


Chief Executive Officer


Head of Finance

ALDUKHEIL FINANCIAL GROUP COMPANY

(A Saudi Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Amount in Saudi Riyals)

1. GENERAL

Al Dukheil Financial Group ("the Company") was a closed joint stock company established pursuant to the Ministerial Decree No. 161 dated mentioned 25 Jumad Al Thani 1428H (corresponding to 11 July 2007) and registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010236134 on 10 Rajab 1428H (corresponding to 24 July 2007). During the year 2022, the Company was converted into Limited Liability Company pursuant to the new Saudi Arabian Regulations for Companies promulgated by Royal Decree No. (3/ρ) dated 28/01/1437H.

The Company provides arranging and advising services of securities as per license of the Capital Market Authority ("CMA") number 13171-30 as per its Letter No. 6/6362 dated 13 November 2013, valid up to 24 Dhul Hijja 1445H (corresponding to 30 June 2024). The Company's registered office is located at the following address:

Naim Ibn Hammad St. – Al Wazarat
P.O. Box: 2462, Riyadh 11451
Saudi Arabia.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities ("IFRS for SMEs") 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") (here after referred to as "IFRS for SMEs as endorsed in KSA").

2.2 Basis of measurement

The financial statements have been prepared on a going concern basis under the historical cost convention except for the financial asset classified as *Available for sale investments* which is measured at fair value.

These financial statements have been prepared on a going concern basis. The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as going concern.

2.3 Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SAR") which is the functional and presentation currency of the Company. All amounts have been rounded to the nearest Saudi Riyal.

2.4 Use of judgements, estimates and assumptions

The preparation of the financial statements in conformity with IFRS for SMEs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. There were no significant estimates or judgements applied in preparation of these financial statements.

ALDUKHEIL FINANCIAL GROUP COMPANY
(A Saudi Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Amount in Saudi Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at banks in current accounts if any, which are available to the Company without any restrictions.

3.2 Financial instruments

The Company applies the recognition and measurement requirements of IAS 39 *Financial Instrument Recognition and Measurement* and the disclosure requirements of Sections 11 and 12 as per IFRS for SMEs.

Financial assets:

The Company initially recognizes financial assets on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company has the following non-derivative financial assets:

Account receivables

These are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition account receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company considers evidence of impairment for account receivables on individual basis. All individual receivables are assessed for specific impairment. Losses are recognized in statement of comprehensive income and reflected in a provision for impairment loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through statement of comprehensive income.

Available for sale financial assets

Investments classified as available for sale are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income and accumulated in the fair value reserve shown within equity. When these assets are derecognized, the gain or loss accumulated in fair value reserve is reclassified to the statement of comprehensive income.

A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is objective evidence of impairment. Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to statement of comprehensive income.

Impairment losses recognized in profit or loss for equity instruments classified as available for sale shall not be reversed through profit or loss. If the fair value of the debt instrument subsequently increases and increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through statement of comprehensive income, otherwise it is reversed through other comprehensive income.

Financial liabilities

Financial liabilities are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

ALDUKHEIL FINANCIAL GROUP COMPANY
(A Saudi Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Amount in Saudi Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial Instruments (continued)

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset, and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Offset of financial instruments

Financial assets and liabilities are offset, and the net amount presented in statement of financial position when, and only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the liability simultaneously.

3.3 Property and equipment

Property and equipment are initially recognized at cost (cash price equivalent at acquisition date). Cost includes expenditure that is directly attributable to the acquisition of the asset including the cost of purchase and any other costs directly attributable to bringing the assets to a working condition for their intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment and the cost of the item can be measured reliably. All other expenditure is recognized in the statement of comprehensive income when incurred.

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. The depreciation of the asset commences when it is available for use and ceases when the asset is derecognized. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. The estimated useful lives are as follows:

	<u>Estimated useful lives (years)</u>
Buildings	20
Furniture and Fixtures	10
Computers	4
Vehicles	4

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

3.4 Impairment of non-financial assets

At each reporting date, property and equipment is reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount and an impairment loss is recognized immediately in statement of comprehensive income. If an impairment loss subsequently reverses, a reversal of an impairment loss is recognized immediately in statement of comprehensive income and the carrying amount of the asset is increased to the revised estimate of its recoverable amount but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset in prior years.

ALDUKHEIL FINANCIAL GROUP COMPANY
(A Saudi Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Amount in Saudi Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Zakat

The Company's Saudi shareholder is subject to zakat in accordance with the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") as applicable in the Kingdom of Saudi Arabia. The zakat charge is computed on the zakat base. An estimate of zakat arising therefrom is provided by a charge to the statement of comprehensive income.

3.6 Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) at reporting date as a result of a past event, it is probable (i.e., more likely than not) that the Company will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably.

The Company reviews provisions at each reporting date and adjust them to reflect the current best estimate of the amount that would be required to settle the obligation at that reporting date. Any adjustments to the amounts previously recognized shall be recognized in comprehensive income unless the provision was originally recognized as part of the cost of an asset.

3.7 Contingent liabilities

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with the control of the Company; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; all should be assessed at reporting date and disclosed under contingent liabilities in the financial statements.

3.8 Employment benefits

Employees' end of service benefits

Employees' end-of-service benefits are payable as a lump sum to all employees employed under the terms and conditions of the Saudi Labor Law on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Indemnity payments are based on employees' final salaries and their cumulative years of service, as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia.

Short-term employee benefits

The liability is recognized for benefits to employees related to wages and salaries including non-monetary benefits, annual leave, sick leave, travel tickets and child education allowances during the period in which the service is provided, as well as the undiscounted amount of the benefits expected to be paid for that service on the basis that the relevant service has been performed. Recognized liabilities relating to short-term employee benefits are measured at the amount that is not deductible and is expected to be paid for the service rendered.

3.9 Revenue recognition

Revenue from rendered service is recognized when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the end of reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

ALDUKHEIL FINANCIAL GROUP COMPANY
(A Saudi Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Amount in Saudi Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Revenue recognition (continued)

Investment banking income

Investment banking income is recognized based on the applicable service contract, usually on a time proportionate basis as the services are performed. Services where the underlying significant act is completed or instances for which no further activities are required to be done are considered fully earned.

3.10 Foreign currencies

Foreign currency transactions are translated into Saudi Arabian Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Foreign currency differences are generally recognized in statement of comprehensive income.

3.11 Dividend income

Dividends are recognized when the Shareholder's right to receive payment is established.

4. CASH AND CASH EQUIVALENTS

	<i>Note</i>	31 December 2023	31 December 2022
Cash at bank - current accounts	4.1	1,398,320	1,291,914
Cash with broker	4.2	<u>285,668</u>	<u>113,230</u>
		<u>1,683,988</u>	<u>1,405,144</u>

4.1 This represents cash held in current accounts with banks operating in the Kingdom of Saudi Arabia.

4.2 During the year ended 31 December 2023, the Company deposited an amount of SAR 285,668 (2022: SAR 113,230) with broker Al Nefae for the purpose of holding reserve funds to make prospective investments.

5. ACCOUNT RECEIVABLES, NET

	<i>Note</i>	31 December 2023	31 December 2022
Account receivables		3,294,750	1,207,500
Provision for impairment loss	5.1	<u>(305,000)</u>	<u>(55,000)</u>
		<u>2,989,750</u>	<u>1,152,500</u>

5.1 Provision for impairment loss

	31 December 2023	31 December 2022
Balance at beginning of the year	55,000	--
Charge for the year	250,000	111,500
Written off during the year	--	<u>(56,500)</u>
Balance at end of the year	<u>305,000</u>	<u>55,000</u>

The Company considers objective evidence of impairment for account receivables on individual basis.

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6. AVAILABLE FOR SALE INVESTMENTS

The table below summarizes the cost and fair value of investments:

	31 December 2023		31 December 2022	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Equity securities				
Sumou Real Estate Company	3,382,068	9,584,863	3,382,068	11,124,284
Virgin Megastore Company	1,680,927	107,201	1,680,927	1,680,927
Nahdi Medical Company	48,994	51,238	48,994	62,532
Academy of Learning Company *	1,000,000	2,375,000	1,000,000	1,027,500
Saudi Networkers Services Company	2,130,000	1,767,000	2,130,000	1,500,000
Alqemam Technologies Co*	1,300,000	1,509,625	--	--
Riyal Investment & Development Co*	651,294	418,689	--	--
	<u>10,193,283</u>	<u>15,813,616</u>	<u>8,241,989</u>	<u>15,395,243</u>

*During the year, the Company acquired 16,250 shares of Alqemam Technologies Company and 15,507 of Riyal Investment & Development Co against the settlement of its accounts receivable amounting to SR 1,300,000 and SR 651,294 respectively. The shares of Alqemam Technologies Company will be transferred to the Company's name after expiry of a lock-up period of twelve months from 31 January 2023 (date of listing in the Nomu – Parallel Market). The Company's investment in Riyal Investment & Development Co is subject to a lock-up period of twelve months from 22 October 2023 (date of listing in the Nomu – Parallel Market). The shares of Academy of Learning Company are in the process of being transferred to the Company's name by the financial advisor, who has obtained CMA approval for the transfer. The transfer is expected to be completed in the year 2024.

7. PREPAID EXPENSES AND OTHER ASSETS

	31 December <u>2023</u>	31 December <u>2022</u>
Advances to employees	176,925	18,303
Prepaid medical insurance	243,818	458,117
Prepaid subscription	107,532	68,137
Other Receivables	--	41,633
	<u>528,275</u>	<u>586,190</u>

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8. PROPERTY AND EQUIPMENT, NET

	Furniture and fixtures * Computer equipments				Total
	<u>Land</u>	<u>Building</u>	<u>fixtures * equipments</u>	<u>Vehicles</u>	
Cost:					
Balance as at 1 January 2023	3,000,000	2,000,000	3,506,753	119,472	8,626,225
Additions	3,454,168	1,049,627	2,200	22,648	4,814,706
Balance as at 31 December 2023	<u>6,454,168</u>	<u>3,049,627</u>	<u>3,508,953</u>	<u>142,120</u>	<u>13,440,931</u>
Accumulated depreciation:					
Balance as at 1 January 2023	--	774,996	3,497,841	61,807	4,334,644
Charge for the year	--	134,988	1,712	29,778	202,236
Balance as at 31 December 2023	--	<u>909,984</u>	<u>3,499,553</u>	<u>91,585</u>	<u>4,536,880</u>
Net book value at:					
31 December 2023	<u>6,454,168</u>	<u>2,139,643</u>	<u>9,400</u>	<u>50,535</u>	<u>8,904,051</u>

	Furniture and fixtures Computer equipments				Total
	<u>Land</u>	<u>Building</u>	<u>fixtures equipments</u>	<u>Vehicles</u>	
Cost:					
Balance as at 1 January 2022	3,000,000	2,000,000	3,506,753	103,451	8,610,204
Additions	--	--	--	16,021	16,021
Balance as at 31 December 2022	<u>3,000,000</u>	<u>2,000,000</u>	<u>3,506,753</u>	<u>119,472</u>	<u>8,626,225</u>
Accumulated depreciation:					
Balance as at 1 January 2022	--	674,996	3,483,524	33,541	4,192,061
Charge for the year	--	100,000	14,317	28,266	142,583
Balance as at 31 December 2022	--	<u>774,996</u>	<u>3,497,841</u>	<u>61,807</u>	<u>4,334,644</u>
Net book value at:					
31 December 2022	<u>3,000,000</u>	<u>1,225,004</u>	<u>8,912</u>	<u>57,665</u>	<u>4,291,581</u>

*These include fully depreciated assets (furniture and fixtures) amounting to SAR 3.50 million (31 December 2022: SAR 3.49 million).

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8. PROPERTY AND EQUIPMENT, NET (continued)

In accordance with the agreement signed between the company and its shareholder, land and building was purchased on 04/05/2023 amounting to 4.5 million Saudi Riyals divided between 3.45 and 1.05 million Saudi Riyals for land and a building respectively. The title to the property is currently in name of the CEO and has not been transferred to the Company.

9. ZAKAT PAYABLE

9.1 Details of zakat charge in the statement of comprehensive income is given below:

	<i>Notes</i>	For the year ended 31	
		December	
		<u>2023</u>	<u>2022</u>
Zakat charge			
- Current year	9.2	242,648	443,612
- Prior years	9.3	(2,599,579)	225
		<u>(2,356,931)</u>	<u>443,837</u>

9.2 The movement in zakat payable is as follows:

	31 December	31 December
	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	5,550,324	5,294,156
Zakat charge for the year	242,648	443,837
Net provision reversal during the year	(2,599,579)	--
Payment made during the year	(427,862)	(187,669)
Balance at end of the year	<u>2,765,531</u>	<u>5,550,324</u>

The principal elements of the Company's zakat base are as follows:

	31 December	31 December
	<u>2023</u>	<u>2022</u>
Share capital	2,000,000	2,000,000
Statutory reserve	1,000,000	1,000,000
Retained earnings	4,945,308	724,695
Accounts payable	65,625	72,550
Investments	(7,756,952)	(8,241,989)
Provisions	3,136,705	5,779,677
Property and equipment	(8,904,051)	(4,291,581)
Zakat base excluding adjusted income	<u>(5,513,365)</u>	<u>(2,956,648)</u>
Adjusted income for the year	<u>9,705,919</u>	<u>17,744,475</u>
	31 December	31 December
	<u>2023</u>	<u>2022</u>
Zakat charge for the year (2.5%)	<u>242,648</u>	<u>443,612</u>

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*(Amount in Saudi Riyals)***9. ZAKAT PAYABLE (continued)**

- 9.3 The Company filed its zakat returns with the ZATCA for financial years up to and including the year 2022. The zakat assessments for the years up to 2014 were finalized by the ZATCA with additional demands aggregating to SAR 5.1 million for the years 2007 to 2014 which was provided for, on a prudent basis, in the statement of comprehensive income for the ended 31 December 2020. The additional demands mainly arise from the "disallowance of long-term investments to the zakat base by the ZATCA".

During the year ended 31 December 2022, orders were passed in favour of the Company by the Tax Violations and Disputes Resolution Committees ("TVDRC") for settlement of tax violations and disputes against which ZATCA filed an appeal with the General Secretariat for Tax, Zakat and Customs Committees. During the current year, ZATCA abandoned its appeal for the years 2007 to 2011 based on the statute of limitations and the Company reversed its zakat provisions aggregating to SAR 2.996 million for the years 2007 to 2011. The outstanding assessments are currently under appeal process with TVDRC and management is confident of a favourable outcome.

The assessments for the years 2015 to 2022 are yet to be raised by the ZATCA. As at 31 December 2023, the Company has maintained its provision levels which represents the Company's best estimate of its liability towards ZATCA.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2023	31 December 2022
Payable to General Organization for Social Insurance	57,560	51,706
Value added tax payable	603,738	166,563
Due to related party	200,000	--
Other payables	524,152	174,125
	<u>1,385,450</u>	<u>392,394</u>

11. EMPLOYEES' END OF SERVICE BENEFITS

	31 December 2023	31 December 2022
Balance at beginning of the year	1,025,654	748,482
Charge for the year	381,277	352,464
Benefits paid during the year	(70,000)	(75,292)
Balance at end of the year	<u>1,336,931</u>	<u>1,025,654</u>

The management has decided not to apply projected unit credit method (actuarial valuation method) to measure its employees' end of service benefits in accordance with Section 28 "Employee Benefits".

12. SHARE CAPITAL

The issued and fully paid share capital of the Company consists of 200,000 shares of SAR 10 each (31 December 2022: 200,000 shares of SAR 10 each) which is owned by the shareholders as follows:

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12. SHARE CAPITAL (continued)

	No. of shares	Ownership percentage	31 December 2023
		%	
Mohammed Abdulaziz Mohammed Al Dukheil	<u>200,000</u>	<u>100</u>	<u>2,000,000</u>
	<u>200,000</u>	<u>100</u>	<u>2,000,000</u>
	No. of shares	Ownership percentage	31 December 2022
		%	
Mohammed Abdulaziz Mohammed Al Dukheil	<u>200,000</u>	<u>100</u>	<u>2,000,000</u>
	<u>200,000</u>	<u>100</u>	<u>2,000,000</u>

13. STATUTORY RESERVE

The company created a reserve equivalent to 50% of the Share Capital in prior years as per the articles of association. The reserve is not available for distribution.

14. RELATED PARTY TRANSACTIONS

Related party of the Company comprises the sole Shareholder of the Company.

	For the year ended 31 December	
	2023	2022
Salaries and allowances	<u>980,373</u>	<u>1,076,427</u>
Dividend paid	<u>--</u>	<u>12,027,598</u>
Purchase of land and building from the Shareholder	<u>4,503,795</u>	<u>--</u>

Balance related to above transaction is as follows:

	For the year ended 31 December	
	2023	2022
Salaries and allowances	<u>316,625</u>	<u>242,125</u>
Payable to the Shareholder against purchase of land and building	<u>200,000</u>	<u>--</u>

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise senior executives of the Company.

15. SALARIES AND EMPLOYEE RELATED EXPENSES

	For the year ended 31 December	
	2023	2022
Salaries and allowances	<u>7,590,033</u>	<u>9,026,229</u>
Employees' end of service benefits	<u>381,277</u>	<u>352,464</u>
	<u>7,971,310</u>	<u>9,378,693</u>

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16. OTHER EXPENSES

	For the year ended 31 December	
	<u>2023</u>	<u>2022</u>
Professional fee	902,390	1,253,734
Telecommunication expense	124,478	98,861
Government charges	61,770	79,730
Utilities	51,473	94,142
Travel expense	45,135	92,399
Publication, printing and stationery	21,489	24,078
Financial charges	8,889	10,239
License & Subscription fee	83,911	75,232
Insurance expense	60,536	47,969
Withholding tax	5,366	10,903
Third party fees	5,153	--
Repairs and maintenance expenses	95,680	609,491
Miscellaneous	609,358	91,686
	<u>2,075,628</u>	<u>2,488,464</u>

17. FINANCIAL INSTRUMENTS RISK MANAGEMENT AND FAIR VALUES

17.1 Fair values of financial instruments

Fair value is the price for which assets could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values of financial assets and liabilities are determined for measurement and/or disclosure purpose based on accounting policies disclosed in the financial statements. The Company calculates the fair value of equity securities that are traded on an approved stock exchange at their last reported prices. The Company's investment in the private equity (Virgin Megastore Company) is determined using net asset value approach by applying discounts for lack of control and lack of marketability to the unadjusted net asset value of the investee Company. As at the reporting date, carrying value of the Company's other financial assets and liabilities were approximately equal to their fair values.

17.2 Financial risk management

The Management has an overall responsibility for the Company and oversight of the Company's risk management framework. The Management is responsible for developing and monitoring the Company's risk management policies. The risks faced by the Company and the way these risks are mitigated by management are summarised below:

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The Company manages liquidity risk by monitoring its funding requirements and available funding sources.

Credit risk

Credit risk 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 the account receivables, cash and cash equivalent and certain other assets. The Company manages credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

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17. FINANCIAL INSTRUMENTS RISK MANAGEMENT AND FAIR VALUES (continued)

Market risk

Market risk is the changes in market prices, such as foreign exchange rates and interest rates which will affect the Company's income or the fair value of its holding in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

'Equity risk' is the risk that the Company is exposed to the volatility of the fair value of the equity securities it holds. The fair value of individual securities may fluctuate as a result of e.g., company specific news, broad market movements or commission rate risk or foreign currency movements. The significant equity price risk of the Company's concentrated investment is monitored closely by the management.

18. SUBSEQUENT EVENTS

There are no significant events subsequent to the statement of financial position date which require adjustments to or disclosure in the financial statements or notes thereto.

19. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Shareholder on 21 Ramadan 1445H (corresponding to: 31 March 2024).