

ALDUKHEIL FINANCIAL GROUP COMPANY
(A Saudi Limited Liability Company)
FINANCIAL STATEMENTS
For the year ended
31 December 2022
together with the
INDEPENDENT AUDITOR'S REPORT

ALDUKHEIL FINANCIAL GROUP COMPANY
(A Saudi Limited Liability Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2022

Contents	PAGE
Independent auditor's report	1-2
Statement of financial position	3
Statement of comprehensive income	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7 - 17



KPMG Professional Services

Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No. 10104245494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٤٥٤٩٤

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 2022, the statements of comprehensive income, changes in shareholder's 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 2022, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards 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 By-Laws 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 (40,000,000) SAR. (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 ماله: (٤٠.٠٠٠.٠٠٠) ريال سعودي مدفوع بالكامل، القسمة سلفاً "شركة كي بي إم جي للفرز والمراجعات 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, then 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 the Company.

KPMG Professional Services

Hani Hamzah A. Bedairi
License no: 460



Riyadh: 7 Ramadan 1444H
Corresponding to: 29 March 2023

ALDUKHEIL FINANCIAL GROUP COMPANY

(A Saudi Limited Liability Company)

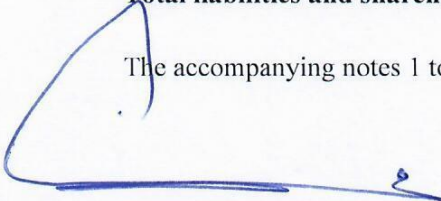
STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

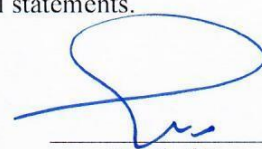
(Amount in Saudi Riyals)

	<u>Note</u>	<u>2022</u>	<u>2021</u>
ASSETS			
Cash and cash equivalents	4	1,405,144	2,119,395
Accounts receivables, net	5	1,152,500	747,678
Available for sale investments	6	15,395,243	15,434,266
Prepaid expenses and other assets	7	586,190	258,161
Property and equipment, net	8	4,291,581	4,418,143
Total assets		22,830,658	22,977,643
LIABILITIES AND EQUITY			
Liabilities			
Zakat payable	9	5,550,324	5,294,156
Accrued expenses and other liabilities	10	392,394	1,374,965
Accounts payable		133,724	72,550
Employees' end of service benefits	11	1,025,654	748,482
Total liabilities		7,102,096	7,490,153
Shareholder's equity			
Share capital	12	2,000,000	2,000,000
Statutory reserve	13	1,000,000	1,000,000
Retained earnings		4,945,308	724,695
Fair value reserve		7,783,254	11,762,795
Total shareholder's equity		15,728,562	15,487,490
Total liabilities and shareholder's equity		22,830,658	22,977,643

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)

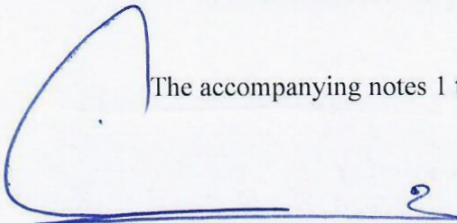
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

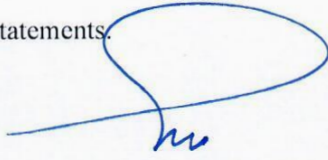
(Amount in Saudi Riyals)

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Revenue			
Investment banking income		28,050,476	18,324,824
Expenses			
Salaries and employee-related expenses	15	(9,378,693)	(9,671,039)
Depreciation and amortization expense	8	(142,583)	(146,073)
Other general and administrative expenses	16	(2,488,464)	(1,952,761)
Impairment loss on available for sale investment		(630,000)	--
Provision for impairment loss	5	(111,500)	--
		<u>(12,751,240)</u>	<u>(11,769,873)</u>
Total operating profit		15,299,236	6,554,951
Other Income		1,392,812	276,732
Income for the year before zakat		16,692,048	6,831,683
Zakat charge for the year	9	(443,837)	(198,333)
Net income for the year after zakat		<u>16,248,211</u>	<u>6,633,350</u>
Other comprehensive income			
<i>Items that will be reclassified to profit or loss:</i>			
Remeasurement of fair value of available for sale investments		<u>(3,979,541)</u>	<u>(806,375)</u>
Total other comprehensive loss for the year		<u>(3,979,541)</u>	<u>(806,375)</u>
Total comprehensive income for the year		<u>12,268,670</u>	<u>5,826,975</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)

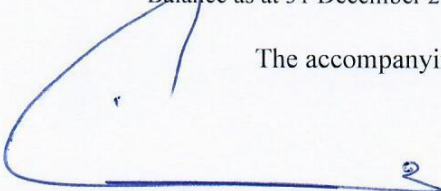
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

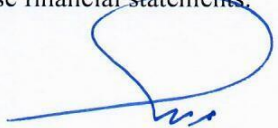
(Amount in Saudi Riyals)

	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Total
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	2,000,000	1,000,000	7,783,254	4,945,308	15,728,562
Balance as at 1 January 2021	2,000,000	1,000,000	12,569,170	(99,055)	15,470,115
Net income for the year	--	--	--	6,633,350	6,633,350
Other comprehensive loss for the year	--	--	(806,375)	--	(806,375)
Total comprehensive income for the year	--	--	(806,375)	6,633,350	5,826,975
Dividend paid	--	--	--	(5,809,600)	(5,809,600)
Balance as at 31 December 2021	2,000,000	1,000,000	11,762,795	724,695	15,487,490

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)

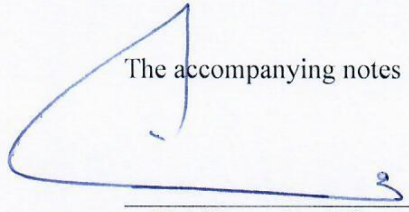
STATEMENT OF CASH FLOWS

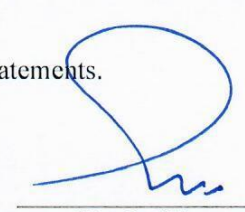
For the year ended 31 December 2022

(Amount in Saudi Riyals)

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Operating activities			
Net income for the year before zakat		16,692,048	6,831,683
<i>Adjustments for:</i>			
Depreciation and amortization	8	142,583	146,073
Provision for impairment loss	5	111,500	--
Impairment loss on available for sale investment		630,000	--
Dividend income		(263,097)	(112,367)
Gain on investment		(1,121,524)	--
Employees' end of service benefits	11	352,464	319,924
<i>Changes in operating assets and liabilities:</i>			
Increase in account receivables		(3,646,322)	(1,173,224)
Increase in prepaid expenses and other assets		(290,529)	(14,693)
Increase/(Decrease) in accounts payable		61,174	(1,366,884)
(Decrease)/increase in accrued expenses and other liabilities		(982,571)	728,506
Cash generated from operations		<u>11,685,726</u>	<u>5,359,018</u>
Employees' end of service benefits paid		(75,292)	(82,396)
Zakat paid	9	(187,669)	(130,299)
Net cash generated from operating activities		<u>11,422,765</u>	<u>5,146,323</u>
Investing activities			
Acquisition of property and equipment		(16,021)	(31,289)
Acquisition of investments at fair value		(318,994)	--
Proceed from disposal of investments		--	1,760,706
Dividend received		225,597	112,367
Net cash (used in)/generated from investing activities		<u>(109,418)</u>	<u>1,841,784</u>
Financing activities			
Dividend paid	14	(12,027,598)	(5,809,600)
Net cash used in financing activities		<u>(12,027,598)</u>	<u>(5,809,600)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(714,251)</u>	<u>1,178,507</u>
Cash and cash equivalents at beginning of the year		2,119,395	940,888
Cash and cash equivalents at end of the year	4	<u>1,405,144</u>	<u>2,119,395</u>
Non cash transaction			
Acquisition of available for sale investment	6	<u>3,130,000</u>	<u>1,410,927</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 2022
(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 the Company has been converted into Limited Liability Company pursuant to the new Saudi Arabian Regulations for Companies promulgated by Royal Decree No. (3/أ) 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 12 Dhul Hijja 1444H (corresponding to 30 June 2023). 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 2022
(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. If the fair value of the impaired available for sale investment 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 2022
(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

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 2022
(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 2022
(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.

4. CASH AND CASH EQUIVALENTS

	<i>Note</i>	31 December 2022	31 December 2021
Cash at bank - current accounts	4.1	1,291,914	2,102,186
Cash in hand		--	--
Cash with broker	4.2	113,230	17,209
		1,405,144	2,119,395

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 2022, the Company deposited an amount of SAR 113,230 (2021 : SAR 17,209) with broker Al Nefae for the purpose of holding reserve funds to make prospective investments.

5. ACCOUNT RECEIVABLES, NET

	<i>Note</i>	31 December 2022	31 December 2021
Account receivables		1,207,500	747,678
Provision for impairment loss	5.1	(55,000)	--
		1,152,500	747,678

5.1 Provision for impairment loss

	31 December 2022	31 December 2021
Balance at beginning of the year	--	318,548
Charge for the year	111,500	--
Written off during the year	(56,500)	(318,548)
Balance at end of the year	55,000	--

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

ALDUKHEIL FINANCIAL GROUP COMPANY
(A Saudi Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Amount in Saudi Riyals)

6. AVAILABLE FOR SALE INVESTMENTS

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

	31 December 2022		31 December 2021	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Equity securities				
Sumou Real Estate Company	3,382,068	11,124,284	3,382,068	14,023,339
Virgin Megastore Company	1,680,927	1,680,927	1,410,927	1,410,927
Nahdi Medical Company	48,994	62,532	--	--
Academy of Learning Company*	1,000,000	1,027,500	--	--
Saudi Networkers Services Company*	2,130,000	1,500,000	--	--
	<u>8,241,989</u>	<u>15,395,243</u>	<u>4,792,995</u>	<u>15,434,266</u>

* During the year the Company acquired 25,000 shares of Academy of Learning Company and 30,000 of Saudi Networks Services Company against the settlement of its accounts receivable amounting to SR 1,000,000 and SR 2,130,000 respectively. The shares of Academy of Learning Company will be transferred to the Company's name after expiry of a lock-up period of twelve months from 18 July 2022 (date of listing in the Nomu – Parallel Market).

7. PREPAID EXPENSES AND OTHER ASSETS

	31 December <u>2022</u>	31 December <u>2021</u>
Advances to employees	18,303	2,000
Prepaid medical insurance	458,117	188,273
Prepaid subscription	68,137	67,888
Other Receivables	41,633	--
	<u>586,190</u>	<u>258,161</u>

ALDUKHEIL FINANCIAL GROUP COMPANY
(A Saudi Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Amount in Saudi Riyals)

8. PROPERTY AND EQUIPMENT, NET

	<u>Land</u>	<u>Building</u>	<u>Furniture and fixtures *</u>	<u>Computer Equipments</u>	<u>Total</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>--</u>	<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>
			<u>Furniture and fixtures</u>	<u>Computer Equipments</u>	<u>Total</u>
Cost:					
Balance as at 1 January 2021	3,000,000	2,000,000	3,504,855	74,060	8,578,915
Additions	--	--	1,898	29,391	31,289
Balance as at 31 December 2021	<u>3,000,000</u>	<u>2,000,000</u>	<u>3,506,753</u>	<u>103,451</u>	<u>8,610,204</u>
Accumulated depreciation:					
Balance as at 1 January 2021	--	574,996	3,461,355	9,637	4,045,988
Charge for the year	--	100,000	22,169	23,904	146,073
Balance as at 31 December 2021	<u>--</u>	<u>674,996</u>	<u>3,483,524</u>	<u>33,541</u>	<u>4,192,061</u>
Net book value at:					
31 December 2021	<u>3,000,000</u>	<u>1,325,004</u>	<u>23,229</u>	<u>69,910</u>	<u>4,418,143</u>

*These include fully depreciated assets (furniture and fixtures) amounting to SAR 3.49 million (31 December 2021: SAR 3.24 million).

ALDUKHEIL FINANCIAL GROUP COMPANY
(A Saudi Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Amount in Saudi Riyals)

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>2022</u>	<u>2021</u>
Zakat charge			
- Current year	9.2	443,612	187,445
- Prior years	9.3	225	10,888
		<u>443,837</u>	<u>198,333</u>

9.2 The movement in zakat payable is as follows:

	31 December <u>2022</u>	31 December <u>2021</u>
Balance at the beginning of the year	5,294,156	5,226,122
Zakat charge for the year	443,837	198,333
Payment made during the year	<u>(187,669)</u>	<u>(130,299)</u>
Balance at end of the year	<u>5,550,324</u>	<u>5,294,156</u>

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

	31 December <u>2022</u>	31 December <u>2021</u>
Share capital	2,000,000	2,000,000
Statutory reserve	1,000,000	1,000,000
Retained earnings	724,695	(99,055)
Accounts payable	72,550	--
Investment	(8,241,989)	(3,671,471)
Provisions	5,779,677	5,524,381
Property and equipment	<u>(4,291,581)</u>	<u>(4,418,143)</u>
Zakat base excluding adjusted income	<u>(2,956,648)</u>	<u>335,712</u>
Adjusted income for the year	<u>17,744,475</u>	<u>7,151,607</u>

	31 December <u>2022</u>	31 December <u>2021</u>
Zakat charge for the year (2.5%)	<u>443,612</u>	<u>187,445</u>

9.3 The Company has filed its zakat returns with the ZATCA for financial years up to and including the year 2021. The zakat assessments for the years up to 2014 have been finalized by the ZATCA with additional demands aggregating to SAR 5.1 million for the year 2007 to 2014 which was provided for, on a prudent basis, in the statement of comprehensive income for the ended 31 December 2020. These additional demands mainly arise from the "disallowance of long-term investments to the zakat base by the ZATCA". These assessments are currently under appeal process with Tax Violations and Disputes Resolution Committees (TVDR) and management is confident of a favorable outcome.

The assessments for the years 2015 to 2021 are yet to be raised by the ZATCA. As at 31 December 2022, the Company has maintained its provision levels which represents the Company's best estimate of its liability towards ZATCA.

ALDUKHEIL FINANCIAL GROUP COMPANY
(A Saudi Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Amount in Saudi Riyals)

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2022	31 December 2021
Payable to General Organization for Social Insurance	51,706	52,072
Value added tax payable	166,563	1,235,039
Other payables	174,125	87,854
	<u>392,394</u>	<u>1,374,965</u>

11. EMPLOYEES' END OF SERVICE BENEFITS

	31 December 2022	31 December 2021
Balance at beginning of the year	748,482	510,954
Charge for the year	352,464	319,924
Benefits paid during the year	<u>(75,292)</u>	<u>(82,396)</u>
Balance at end of the year	<u>1,025,654</u>	<u>748,482</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". The application of the projected unit credit method is an undue cost and effort and the differences that may result from their application are not material to the financial statements.

12. SHARE CAPITAL

The issued and fully paid share capital of the Company consists of 200,000 shares of SAR 10 each (31 December 2021: 200,000 shares of SAR 10 each) which is owned by the shareholders as follows::

	No. of shares	Ownership percentage %	31 December 2022
Mohammed Abdulaziz Mohammed Al Dukheil	200,000	100	2,000,000
	200,000	100	2,000,000
	No. of shares	Ownership percentage %	31 December 2021
Mohammed Abdulaziz Mohammed Al Dukheil	200,000	100	2,000,000
	200,000	100	2,000,000

13. STATUTORY RESERVE

In accordance with the Company's Articles of Association and the new Saudi Arabian Regulations for Companies which came into effect on 25 Rajab 1437H (corresponding to 2 May 2016), the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital. As at 31 December 2022, the statutory reserve was in compliance with the above specified threshold. Hence, no transfers were made.

ALDUKHEIL FINANCIAL GROUP COMPANY
(A Saudi Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Amount in Saudi Riyals)

14. RELATED PARTY TRANSACTIONS

Salaries and employee related expenses include remuneration of the key management personnel as follows.

	For the year ended 31 December	
	<u>2022</u>	<u>2021</u>
Salaries and allowances	1,076,427	1,032,862
Dividend paid*	<u>12,027,598</u>	<u>5,809,600</u>

Balance related to above transaction is as follows.

	For the year ended 31 December	
	<u>2022</u>	<u>2021</u>
Salaries and allowances	<u>242,125</u>	<u>176,938</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.

*During the year, the company has paid a cash dividend for the year 2022 amounting to SAR 12.02 million., being SAR 60.138 per share (2021: SAR 5.80 million., being SAR 29.05 per share).

15. SALARIES AND EMPLOYEE RELATED EXPENSES

	For the year ended 31 December	
	<u>2022</u>	<u>2021</u>
Salaries and allowances	9,026,229	9,351,115
Employees' end of service benefits	352,464	319,924
	<u>9,378,693</u>	<u>9,671,039</u>

16. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	<u>2022</u>	<u>2021</u>
Professional fee	1,253,734	1,497,821
Third party fees	--	72,000
Telecommunication expense	98,861	69,877
Miscellaneous	91,686	75,218
Government charges	79,730	87,609
Utilities	94,142	30,987
Travel expense	92,399	18,624
Publication, printing and stationery	24,078	16,879
Financial charges	10,239	8,022
License & Subscription fee	75,232	44,973
Insurance expense	47,969	--
Withholding tax	10,903	9,026
Repairs and maintenance expenses	609,491	21,725
	<u>2,488,464</u>	<u>1,952,761</u>

ALDUKHEIL FINANCIAL GROUP COMPANY
(A Saudi Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Amount in Saudi Riyals)

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. As at the reporting date, carrying value of the Company's 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.

Market risk

Market risk is the changes in market prices, such as foreign exchange rates and interest rates which will affects 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 7 Ramadan 1444H (corresponding to: 29 March 2023).