

BMG FINANCIAL GROUP COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2022

BMG FINANCIAL GROUP COMPANY

(A Saudi Closed Joint Stock Company)

Financial statements for the year ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT**TO THE SHAREHOLDER
BMG FINANCIAL GROUP COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
JEDDAH- SAUDI ARABIA****REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****Opinion**

We have audited the accompanying financial statements of "BMG Financial Group Company" - "The Company", which comprise the statement of financial position as at December 31, 2022, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes 1 to 21 thereon, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2022, and its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standard (IFRS) as 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") adopted in Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements in Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to note 9.1 to the financial statements, the cash and cash equivalent includes the bank balance of SR 2,327,394 (2021: SR 827,394). The Company's bank account is inactive and not operative as of year end. The Company is in process of updating the required information with the bank. Our opinion is not modified in this regard.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with in accordance with the International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA), the Companies' Act Provisions and the company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Upon preparation of 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 choice of an appropriate alternative but to do so.

Those charged with governance and the Board of Directors are responsible for overseeing the company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDER
BMG FINANCIAL GROUP COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
JEDDAH- SAUDI ARABIA**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**Auditors' Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISAs approved in Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence is sufficient and appropriate to provide a basis for our audit 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

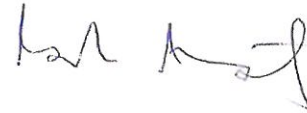
INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDER
BMG FINANCIAL GROUP COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
JEDDAH- SAUDI ARABIA**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**Report on Other Legal and Regulatory Requirements**

- As disclosed in note 16.1 to the financial statements, the due from related parties' balance includes SR. 1,556,829 due from the shareholder, which is in contravention with the Article 73 of the Regulations for Companies.

Jeddah: June 08, 2023
Dhul-Qa'dah 19, 1444

**FOR EL SAYED EL AYOUTY & CO.**

**Mohamed El Ayouty
Certified Public Accountant
License No. (211)**

BMG FINANCIAL GROUP COMPANY

(A Saudi Closed Joint Stock Company)

Statement of financial position

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	As at December 31,	
		2022	2021
Assets			
Non-current assets			
Property and equipment, net	6	57,155	58,372
Total non-current assets		57,155	58,372
Current assets			
Trade receivables	7	7,686,071	1,319,994
Due from related parties	16.1	2,081,828	1,147,422
Prepayments and other receivables	8	227,486	107,389
Cash and cash equivalents	9	2,344,520	844,518
Total current assets		12,339,905	3,419,323
Total assets		12,397,060	3,477,695
Equity and liabilities			
Equity			
Share capital	10	5,000,000	5,000,000
Statutory reserves	11	658,089	117,631
Accumulated profit/ (losses)		877,087	(3,954,893)
Total equity		6,535,176	1,162,738
Non-current liabilities			
Employees defined benefit obligations	12.1	351,607	397,282
Total non-current liabilities		351,607	397,282
Current liabilities			
Due to related parties	16.2	3,597,152	-
Deferred income	13	390,670	390,670
Accrued expenses and other payables	14	1,157,884	1,191,420
Zakat and income tax payable	15.2	364,571	335,585
Total current liabilities		5,510,277	1,917,675
Total liabilities		5,861,884	2,314,957
Total equity and liabilities		12,397,060	3,477,695

The accompanying notes from 1 to 21 form an integral part of these financial statements.

BMG FINANCIAL GROUP COMPANY

(A Saudi Closed Joint Stock Company)

Statement of Comprehensive Income

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the year ended December 31,	
		2022	2021
Revenue		9,162,440	3,572,422
Operating expenses			
General and administrative expenses	17	(2,618,165)	(2,124,197)
Written-off receivable balances	7	(108,410)	-
Provision for doubtful debts	7.2	(773,260)	(398,700)
Provision for employee defined benefit obligations	12.2	(32,315)	(42,182)
Total operating expenses		(3,532,150)	(2,565,079)
Profit from operations		5,630,290	1,007,343
Other income		2,832	-
Net income for the year before zakat and income tax		5,633,122	1,007,343
Zakat and income tax	15.1	(228,544)	(77,304)
Net income for the year		5,404,578	930,039
Other comprehensive income:			
Items not to be reclassified subsequently to profit or loss:			
Loss on re-measurement of employees defined benefit obligations	12.3	(32,140)	(10,034)
Total comprehensive income for the year		5,372,438	920,005
Income per share:			
Number of shares	10	500,000	500,000
Net income per share		10.74	1.84

The accompanying notes from 1 to 21 form an integral part of these financial statements.

BMG FINANCIAL GROUP COMPANY

(A Saudi Closed Joint Stock Company)

Statement of changes in equity

(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Accumulated (losses)/ profit	Total equity
As at January 01, 2021	5,000,000	24,627	(4,781,894)	242,733
Net income for the year		-	930,039	930,039
Total comprehensive loss for the year	-	-	(10,034)	(10,034)
Balance transfer to statutory reserve	-	93,004	(93,004)	-
As at December 31, 2021	<u>5,000,000</u>	<u>117,631</u>	<u>(3,954,893)</u>	<u>1,162,738</u>
As at January 01, 2022	5,000,000	117,631	(3,954,893)	1,162,738
Net income for the year			5,404,578	5,404,578
Total comprehensive loss for the year	-		(32,140)	(32,140)
Balance transfer to statutory reserve	-	540,458	(540,458)	-
As at December 31, 2022	<u>5,000,000</u>	<u>658,089</u>	<u>877,087</u>	<u>6,535,176</u>

The accompanying notes from 1 to 21 form an integral part of these financial statements.

BMG FINANCIAL GROUP COMPANY

(A Saudi Closed Joint Stock Company)

Statement of cash flows

(All amounts in Saudi Riyals unless otherwise stated)

		Year ended December 31,	
	Notes	2022	2021
Operating activities			
Net profit for the year before zakat and income tax		5,633,122	1,007,343
Adjustments to reconcile net loss to net cash			
Provided by operating activities:			
Depreciation	6	23,666	44,413
Provision for staff indemnities	12.2	32,315	42,182
		<u>5,689,103</u>	<u>1,093,938</u>
Changes in operating assets and liabilities			
Trade receivables		(6,366,077)	(735,928)
Prepayments and other receivables		(120,097)	(2,685)
Accounts payable and accruals		(33,536)	364,537
Cash generated from operating activities		<u>(830,607)</u>	<u>719,862</u>
Staff indemnities paid	12.1	(110,130)	(30,278)
Zakat paid	15.2	(199,558)	(5,250)
Net Cash generated from operating activities		<u>(1,140,295)</u>	<u>684,334</u>
Investing activities			
Addition to property and equipment	6	(22,449)	(9,102)
Net cash used in investing activities		<u>(22,449)</u>	<u>(9,102)</u>
Financing activities			
Net funds provided by shareholder		2,662,746	13,500
Net cash provided by financing activities		<u>2,662,746</u>	<u>13,500</u>
Net increase in cash and cash equivalents		1,500,002	688,732
Cash and cash equivalents at beginning of the year		844,518	155,786
Cash and cash equivalents at the end of the year		<u>2,344,520</u>	<u>844,518</u>

The accompanying notes from 1 to 21 form an integral part of these financial statements.

BMG FINANCIAL GROUP COMPANY

(A Saudi Closed Joint Stock Company)

Notes to the financial statements for the year ended December 31, 2022

(All amounts in Saudi Riyals unless otherwise stated)

1. General

- 1.1. BMG Financial Group ("the Company") a Saudi closed joint stock company formed under the Regulation for Companies in the Kingdom of Saudi Arabia with Commercial Registration No. 1010256000 on Ramadan 7, 1429H (September 7, 2008) registered in Riyadh, expiring on Ramadan 7, 1445 (corresponding to March 17, 2024).
- 1.2. The Capital Market Authority ("CMA") issued License No. 07054-37 dated Safar 21, 1428H (March 11, 2007) as amended by CMA's Decision No. 2008225 on Jumada Al Thani 19, 1429H (June 23, 2008) having expiry till Dhul Qadah 9, 1441 H (June 30, 2020). Later, the CMA further renewed this license for the period from Dhul Hijjah 02, 1443 H (July 01, 2022) to Dhul-Hijjah 12, 1444 (June 30, 2023).
- 1.3. The Company obtained its Saudi Arabian General Investment Authority ("SAGIA") license No. 1052/2 dated Shaban 8, 1429 H (August 10, 2008), which has expired on Shawwal 29, 1432 (corresponding to September 27, 2011).
- 1.4. During the year ended 31 December 2016, the Company has entered into an agreement with its shareholder dated 13 Rajab 1437H corresponding to 20 April 2016, wherein Beltone, Financial Holding S.A.E (Egyptian Partner) has transferred all of its shares to a local shareholder. The legal process of transferring foreign shareholding to the local shareholder were completed in 2022 (refer note 10).
- 1.5. The Ministry of Commerce and Investment commenced the implementation of the new Companies Regulations effective Rajab 25, 1437H corresponding to May 02, 2016 ("the effective date"). The new Regulations shall replace the Companies Regulations promulgated by Royal Decree No. M/6 dated 22 Rabi Awwal 1385H and it shall supersede all provisions that are inconsistent therewith. Companies existing as at the effective date of the regulations shall make all necessary amendments to their Article of Association to comply with the requirements of the provisions of the new companies regulations within a period of one year of the effective date of the Companies Regulations. Legal formalities to amend the Company's Article of Association according to new Regulations were completed and approved by the Ministry.
- 1.6. The principal activities of the Company are arranging and rendering financial advisory services.
- 1.7. The Company's registered office is located at Al Mukmal Plaza, Palestine Street, Al Hamra District, P.O Box 52972, Jeddah 21573. Kingdom of Saudi Arabia.

BMG FINANCIAL GROUP COMPANY

(A Saudi Closed Joint Stock Company)

Notes to the financial statements for the year ended December 31, 2022

(All amounts in Saudi Riyals unless otherwise stated)

2. Basis of preparation

2.1. Statements of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standard (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

2.2. Basis of measurement

The financial statements have been prepared on the historical cost basis except for employees defined benefit obligations which are measured using a simplified projected unit credit method.

2.3. Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SR") which is the functional and presentation currency of the Company.

3. Significant accounting estimates, assumptions and judgments

The preparation of these financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and 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 future periods affected.

3.1. Going concern

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

3.2. Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

3.2.1. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model.

The cash flows are derived from the budget for the next five years and do not include possible restructuring activities that the Company may commit to or significant future investments that may enhance the asset's performance of the Cash Generating Unit ("CGU") being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

BMG FINANCIAL GROUP COMPANY

(A Saudi Closed Joint Stock Company)

Notes to the financial statements for the year ended December 31, 2022

(All amounts in Saudi Riyals unless otherwise stated)

3 Significant accounting estimates, assumptions and judgments (Continued)

3.2. Key sources of estimation uncertainty (Continued)

3.2.2. Impairment of financial assets

At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in statement of comprehensive income.

3.2.3. Long-term assumptions for employee benefits

Post-employment defined benefits represent obligations that will be settled in the future and require assumptions to project obligations, if any. The accounting requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases, mortality rates and employment turnover. Periodically, management of the Company consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

3.2.4. Useful lives of property and equipment

The management determines the estimated useful lives property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

3.2.5. Contingent liabilities

Contingent liabilities are determined by the likelihood of occurrence or non-occurrence of one or more uncertain future events. Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

3.2.6. Zakat and income tax

The Company is subject to the legislation of Zakat, Tax and Customs Authority ("ZATCA"). Accrual of Zakat is recognized in the statement of income. Additional zakat liability, calculated by Authorities, if any, related to prior years zakat declaration is recognized in the year in which final declaration is issued.

4. Standards, Interpretations and Amendments to existing Standards

4.1. New IFRSs effective and adopted by the Company

The below lists shows the recent changes to International Financial Reporting Standards ("IFRSs") that are required to be applied by the Company with an annual reporting period beginning on or after January 1, 2022. The adoption of the above amendments had no significant impact on the Company's financial statements.

Title	Effective date
Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37	1 January 2022
Annual improvements to IFRS Standards 2018-2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 January 2022
Reference to the Conceptual Framework - Amendments to IFRS 3	1 January 2022

BMG FINANCIAL GROUP COMPANY

(A Saudi Closed Joint Stock Company)

Notes to the financial statements for the year ended December 31, 2022

(All amounts in Saudi Riyals unless otherwise stated)

4. Adoption of new and revised International Financial Reporting Standards (Continued)

4.2. New IFRSs, IFRIC and amendments thereof issued but not yet effective

The below IFRSs, amendments to and interpretations of standards that are issued but not effective. The listing is of standards issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards, where applicable, when they become effective.

Standards/ Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 17	Insurance contracts	1 January 2023
IFRS 17	Amendments to the standard	1 January 2023
IAS 1, IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IFRS 8	Definition of Accounting Estimate	1 January 2023
IAS 12	Deferred tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
IFRS 17, IFRS 9	Initial Application and Comparative Information	1 January 2023
IAS 1	Classification of liabilities as current or non-current	1 January 2024
IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
IAS 1	Non-current Liabilities with Covenants	1 January 2024
IFRS 10, IAS 28	Sale or Contribution of assets between an Investor and its associate or Joint Venture	Effective annual periods yet to be determined

5. Summary of significant accounting policies

The accounting policies adopted in the preparation of these financial statements are consistent with those used in previous years except for the change in the accounting treatment for the recognition of Zakat and Income Tax (refer note 21). The significant accounting policies adopted for the preparation of these financial statements are as follows

5.1. Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Costs include all costs incurred to bring the asset to the condition necessary for it to be capable of operating in the manner intended by management. Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The rates used for the depreciation of property and equipment are as follow:

BMG FINANCIAL GROUP COMPANY

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Notes to the financial statements for the year ended December 31, 2022

(All amounts in Saudi Riyals unless otherwise stated)

5. Summary of significant accounting policies (continued)

5.1. Property and equipment (continued)

Assets category	Rates
• Office equipment	15%
• Furniture and fixtures	10%
• Leasehold improvement	10%
• Motor vehicles	20%

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. On disposal, the difference between the net disposal proceeds and the carrying amount of the item sold is recognised in statement of comprehensive income, and included in 'other income'.

5.2. Financial instruments

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

Classification and measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All instruments are measured initially at their fair value including transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

5.2.1. Financial assets

Initial recognition and measurement

The Company classifies its financial assets in the following categories; trade receivables, cash and cash equivalents, due from related parties. All financial assets are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

Trade and other receivables

Trade and other receivables are initially recognized at the transaction price. All sales are made on the basis of normal credit terms, and the receivables do not bear interest. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. The losses arising from impairment are recognised in the statement of comprehensive income.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

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Notes to the financial statements for the year ended December 31, 2022

(All amounts in Saudi Riyals unless otherwise stated)

5. Summary of significant accounting policies (continued)

5.2. Financial instruments (continued)

5.2.1 Financial assets (continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at banks and cash in hand, all with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in bank net of outstanding bank overdrafts.

5.2.2. Financial liabilities

Recognition and measurement

The Company's financial liabilities include trade payables, accruals, and other payables, loans and borrowings and due to related parties.

Trade payables and accruals

Liabilities are recognised for amounts to be paid in the future for services received or when the risks and rewards associated with goods are transferred to the Company, whether billed by the supplier or not.

Loans and borrowings

Short term and long term loans are derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financing liability is replaced by another from the same lender on substantial different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability.

Offsetting of financial instruments

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

5.3. Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of 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 groups of assets (the "cash-generating unit"). An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of comprehensive income. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed (other than for goodwill) if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

BMG FINANCIAL GROUP COMPANY

(A Saudi Closed Joint Stock Company)

Notes to the financial statements for the year ended December 31, 2022

(All amounts in Saudi Riyals unless otherwise stated)

5. Summary of significant accounting policies (continued)

5.3 Impairment of non-financial assets (continued)

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the statement of comprehensive income. The Company does not have non-monetary assets and liabilities denominated in foreign currencies.

5.4. Current versus non-current classification

The Company presents assets and liabilities in the financial statements based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All the assets other than as mentioned above are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All liabilities, other than as mentioned above are classified as non-current.

5.5. Revenue

Revenue from contracts with customers is external revenue that is earned from the provision of services that are output of the Company for consideration.

5.6. Operating expenses

The nature of activities of the Company are such that direct costs cannot be specifically identified. Therefore, all the costs and charges are classified under operating expenses.

5.7. Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable and material.

5.8. Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders of the Company.

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5. Summary of significant accounting policies (continued)

5.9. Provisions

5.9.1. General

Provisions for customer claims are recognised when the Company has a present obligation (legal or constructive) as a result of past events it is probable that a transfer of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect of time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects a current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

5.9.2. Defined benefit plans

The cost of employees' defined benefits is the present value of the related obligation, as determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from the actual developments in the future. These include the determination of the discount rate, future salary increase, and withdrawal before normal retirement age, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, employees' defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to changes is discount rate. With respect to determining the appropriate discount rate, yield and duration of high-quality bonds obligation, as designated by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the employees' defined benefit obligation.

5.9.3. Zakat and income tax

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Provision for zakat for the Company is charged to the statement of comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under the Saudi Arabian Income Tax Law.

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6. Property, plant and equipment

	Office equipment	Furniture & fixtures	Leasehold improvement	Motor vehicle	Total
Cost					
Balance as at January 1, 2021	929,106	237,806	402,930	550,886	2,120,728
Additions during the year	9,102	-	-	-	9,102
Balance as at December 31, 2021	938,208	237,806	402,930	550,886	2,129,830
Balance as at January 1, 2022	938,208	237,806	402,930	550,886	2,129,830
Additions during the year	22,449	-	-	-	22,449
Balance as at December 31, 2022	960,657	237,806	402,930	550,886	2,152,279
Accumulated depreciation					
Balance as at January 1, 2021	905,792	233,484	336,888	550,881	2,027,045
Depreciation for the year	25,403	1,717	17,293	-	44,413
Balance as at December 31, 2021	931,195	235,201	354,181	550,881	2,071,458
Balance as at January 1, 2022	931,195	235,201	354,181	550,881	2,071,458
Depreciation for the year	3,325	1,004	19,337	-	23,666
Balance as at December 31, 2022	934,520	236,205	373,518	550,881	2,095,124
Net book value on December 31, 2022	26,137	1,601	29,412	5	57,155
Net book value on December 31, 2021	7,013	2,605	48,749	5	58,372

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7. Trade receivables

	Note	2022	2021
Trade receivables		8,966,441	1,718,694
Written off during the year (note - 7.1)		(108,410)	-
Less: Provision for doubtful debts (note - 7.2)		(1,171,960)	(398,700)
		<u>7,686,071</u>	<u>1,319,994</u>

7.1. Management has written-off the receivable balance amounting to SR 108,410 during the year.

7.2. Movement in provision for doubtful debts:

January 01,	398,700	-
Provided during the year	773,260	398,700
Written off during the year	-	-
December 31,	<u>1,171,960</u>	<u>398,700</u>

7.3. Aging of the trade receivables is as follow:

Past due 1-120 days	530,000	683,428
Past due 121-365 days	7,156,071	601,200
Past due more than 365 days	1,280,370	434,066
	<u>8,966,441</u>	<u>1,718,694</u>

8. Prepayments and other receivables

Prepaid rent	125,798	78,518
Employee advances	84,871	18,454
Others	16,817	10,417
	<u>227,486</u>	<u>107,389</u>

9. Cash and cash equivalents

Cash at bank	9.1	2,327,394	827,394
Cash in hand		17,126	17,124
		<u>2,344,520</u>	<u>844,518</u>

9.1. Cash at bank contain the balance in Bank Al-Jazira, Th Company's bank account is inactive and not operative as of year end. The Company is in process of updating the required information with the bank.

10. Share capital

The share capital of the company is divided into 500,000 (2022: 500,000) shares of SR 10/each, fully paid.

Partners	Nationality	Ownership	(SR)
Mr. Mohammed Basil M. Al-Ghalayini	Saudi	37.8%	1,890,000
Mr. Mohammed Youssef M. Naghi	Saudi	2.6%	130,000
Mr. Khalifa Abdul Mohsen M Al Saif	Saudi	1.0%	50,000
Mr. Abdul Hadi Ali Saif Shayef	Saudi	1.2%	60,000
Mr. Waleed Soliman Abdul Mohsen Aba Numay	Saudi	1.2%	60,000
International Shores for Commercial Services	Saudi	21.0%	1,050,000
Mr. Abdul Aziz Ibrahim M. Al Nabhan	Kuwaiti	5.2%	260,000
Beltone Financial Holding S.A.E	Egyptian	30.0%	1,500,000
		<u>100%</u>	<u>5,000,000</u>

The Company had entered into an agreement with its shareholder dated 13 Rajab 1437H corresponding to April 20, 2016, whereby Beltone Financial Holding S.A.E had transferred its shares to local shareholders. Legal formalities of this transfer were completed, as at December 31, 2021 (refer note 1.4). The revised shareholding is as follow:

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10 Share capital (Continued)

Partners	Nationality	Ownership	(SR)
Mr. Mohammed Basil M. Al-Ghalayini	Saudi	67.8%	3,390,000
Jiad International Holding Company for Trade Development Limited	Saudi	2.6%	130,000
Mr. Khalifa Abdul Mohsen M Al Saif	Saudi	1.0%	50,000
Mr. Abdul Hadi Ali Saif Shayef	Saudi	1.2%	60,000
Mr. Waleed Soliman Abdul Mohsen Aba Numay	Saudi	1.2%	60,000
International Shores for Commercial Services	Saudi	21.0%	1,050,000
Mr. Abdul Aziz Ibrahim M. Al Nabhan	Kuwaiti	5.2%	260,000
		100%	5,000,000

11. Statutory reserve

As per the new Saudi Companies' Act, 10% of the annual net income is required to be set aside to statutory reserve. The company may discontinue such annual transfer upon the reserve reaching 30% of paid up capital. This reserve is not available for distribution.

12. Employees defined benefit obligations

12.1. The movement in employees defined benefit obligations are as follow:

	2022	2021
Balance as at January 1,	397,282	375,344
Current service cost	27,880	35,621
Interest cost	4,435	6,561
Loss due to change in assumptions	32,140	10,034
Benefits paid/ payable to outgoing members	(110,130)	(30,278)
Balance as at December 31,	351,607	397,282

12.2. Employee defined benefit expense recognized in the statement of income is as follows:

	2022	2021
Current service cost	27,880	35,621
Interest cost	4,435	6,561
	32,315	42,182

12.3. Loss due to change in assumptions recognized in the statement of other comprehensive income

	2022	2021
	32,140	10,034

12.4. Principal assumptions used in determining employees defined benefit obligations for the Company are as follows:

	2022	2021
Discount rate	4.65%	2.10%
Salary increment rate	4.65%	2.10%
Employee turnover rate	Heavy	Heavy
Expected retirement age	60 Years	60 years

To simplify calculations, service periods have been rounded off in years, less than six months considered as zero year, over and equal to six months considered as one year.

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13. Deferred income

	2022	2021
Deferred income (Note 13.1)	<u>390,670</u>	<u>390,670</u>

13.1. This represents disputed revenue for the prior years, will be taken to income statement on the final settlement with the respective customers and related parties. The details are as follow:

	2022	2021
Akar One – Affiliate (refer Note 16.1)	375,000	375,000
Al Saamani Factory	<u>15,670</u>	<u>15,670</u>
	<u>390,670</u>	<u>390,670</u>

14. Accrued expenses and other payables

VAT payable	644,219	619,432
Accrued expenses and other payables	<u>513,665</u>	<u>571,988</u>
	<u>1,157,884</u>	<u>1,191,420</u>

15. Zakat and income tax

15.1. Calculation of zakat

Capital and retained earnings	2,822,271	1,648,510
Deduction for property and equipment	<u>(232,525)</u>	<u>(58,372)</u>
Zakatable equity	<u>2,589,746</u>	<u>1,590,138</u>
Adjusted zakatable equity (@ 365 days)	2,670,218	1,639,549
Adjusted net profit	<u>6,471,526</u>	<u>1,452,597</u>
Zakat base	<u>9,141,744</u>	<u>3,092,146</u>
Zakat due @ 2.5%	<u>228,544</u>	<u>77,304</u>

15.2. Movement in zakat and tax provision for the year

For the year ended December 31, 2022

	Zakat	Tax	Total
Balance at beginning of the year	280,261	55,324	335,585
Provided during the year	228,544	-	228,544
Payment during the year	<u>(199,558)</u>	<u>-</u>	<u>(199,558)</u>
	<u>309,247</u>	<u>55,324</u>	<u>364,571</u>

For the year ended December 31, 2021

	Zakat	Tax	Total
Balance at beginning of the year	208,207	55,324	263,531
Provided during the year	77,304	-	77,304
Payment during the year	<u>(5,250)</u>	<u>-</u>	<u>(5,250)</u>
	<u>280,261</u>	<u>55,324</u>	<u>335,585</u>

15.3. Status of zakat assessments

The Company have filled its zakat return for the year 2022. No assessment has been raised by the Zakat, Tax and Customs Authority (ZATCA) for the years from 2015 till 2022.

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16. Related parties transaction and balances

In the ordinary course of business, the Company undertakes transactions with the related parties of the Company. All such transactions are executed on commercial terms that are approved by management. Transactions during the year-end with related parties and the related balances as of December 31 are as follows:

16.1. Due from related parties	Relationship	Nature of transactions	Amount of transaction		Closing balance	
			2022	2021	2022	2021
International Shores for Commercial services	Share holder	—	(226,918)	(700,000)	-	226,918
Belton Financial Holding	Share holder	—	(10,030)	-	-	10,030
Mr. Mohammed Basil M Al Ghaliyani	Share holder	Expenses paid on behalf of the Company	(1,239,919)	(2,856,292)	1,556,828	35,474
		Funds received on behalf of the Company	2,023,103	3,542,792		
		Funds transferred to the Company	(5,932,070)	-		
		Personal expenses paid from the Company	2,060,715	-		
		Funds drawn from the Company	4,609,525	-		
					1,556,828	272,422
Akar One (refer Note 13.1)	Affiliate	—	-	-	375,000	375,000
BMG Financial Advisory	Affiliate	Funds received from the Company	(500,000)	-	-	500,000
The Carlyle Group	Affiliate	Funds paid to the Company	150,000	-	150,000	-
					525,000	875,000
					2,081,828	1,147,422
16.2. Due to related parties						
BMG Financial Advisory	Affiliate	Expenses paid on behalf of the Company(net)	(3,597,152)	-	3,597,152	-
					3,597,152	-

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16. Related parties transaction and balances (continued)

16.3. Funds treated as receipt from related party balance

The management of the Company, considering the accumulated losses of SR 3.95 million as at December 31, 2021, had injected the funds of SR 1.2 million dated on June 01, 2022 with the intention to increase the share capital of the company as a contribution to its accumulated losses. It was reported as subsequent event in the financial statements of December 31, 2021. The Board of Directors of the Company had to call an extraordinary general meeting to pass the resolution for increase in share capital as per the provision of Article 150 of the Companies Law. The shareholders had also passed a resolution in 2021 for their necessary financial support to meet performance obligations of the Company as and when they fall due. These facts were reported in the financial statements of December 31, 2021.

However, the board did not call this extraordinary general meeting because the intended contribution to the accumulated losses of the company amounting to SR 1.2 million were considered as the amount recovered for the balances due from the related parties.

17. General and administrative expenses

	2022	2021
Salaries and other employee benefits	1,373,373	1,212,474
Professional fee	333,919	363,195
Legal expenses	380,752	-
Rent	233,723	256,344
Traveling	42,705	9,660
Depreciation (Note - 6)	23,666	44,413
Communication	35,107	41,633
Membership fees	-	35,614
Repair and maintenance	55,698	31,510
Others	139,222	129,354
	<u>2,618,165</u>	<u>2,124,197</u>

18. Financial risk management

The Company's principal financial liabilities comprise of trade payables, other payables and due to related parties. The main purpose of these financial liabilities are to raise finance for the Company's operations. The Company has various financial assets such as cash and bank balances, trade receivables, prepayments and other receivables and due from related parties which arise directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company's policies and risk appetite. The management reviews and agrees policies for managing each of these risks, which are summarized below.

a. Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company transactions are principally in Saudi Riyals, US dollars and Euros.

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, however the company is not exposed to significant currency risk, as most of its financial assets and financial liabilities are dominated in Saudi Riyals.

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18 Financial risk management (continued)

b. Credit risk

Potential material areas of credit risk consist of accounts receivable, prepayments and other receivables. Trade accounts receivable. Company monitor the financial position of their customers on an ongoing basis. The granting of credit is controlled by application of credit limits. An allowance is made for specific doubtful debts at the reporting date. Management did not consider there to be any material credit risk exposure that was not adequately covered.

c. Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available (funds financed by the shareholders) in order to meet any future financial commitments as and when they fall due.

19. Fair value

Fair value is the amounts for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. As the company's financial statements are prepared under the historical cost method, differences may arise between the book values and fair value estimates. The fair value of the company's assets and liabilities approximate their carrying amount.

20. Subsequent events

On January 16, 2023, corresponding to Jumada Al -Akhir 23, 1444H, and based on the resolution of the Minister of Commerce No. (284), the implementing regulations for the new Companies' Act were issued. On January 19, 2023, corresponding to Jumada Al-Akhir 26, 1444H, the new Companies' Act issued by Royal Decree No. (M / 132) entered into force. The company's management will make the necessary amendments to the company's articles of association as required by the new Companies' Act and its implementing regulations.

The management believes that there are no other significant subsequent events from the statement of financial position date on December 31, 2022 until the date of approval of this financial statement that require amendments or disclosures in the financial statements.

21. Approval of the financial statements

These financial statements were approved by the Management on June 08, 2023 (corresponding to Dhul-Qa'dah 19, 1444).