

TAMAM FINANCE COMPANY
(A CLOSED JOINT STOCK COMPANY -
OWNED BY ONE PERSON)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
31 DECEMBER 2022

TAMAM FINANCE COMPANY
(A CLOSED JOINT STOCK COMPANY - OWNED BY ONE PERSON)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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INDEPENDENT AUDITOR'S REPORT

**To the owner of Tamam Finance Company
(Closed Joint Stock Company owned by one Person)**

Opinion

We have audited the financial statements of Tamam Finance Company - Closed Joint Stock Company owned by one Person (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

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

Other Matter

The financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on these statements on 10 Sha'aban 1443 (corresponding to 13 March 2022).

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

To the Partner of Tamam Finance Company

(Closed Joint Stock Company owned by one Person) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Partner of Tamam Finance Company

(Closed Joint Stock Company owned by one Person) (continued)

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

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

for Ernst & Young Professional Services



Saad M. Al-Khathlan
Certified Public Accountant
License No. (509)

Riyadh: 13 Sha'ban 1444
5 March 2023




TAMAM FINANCE COMPANY
(A CLOSED JOINT STOCK COMPANY - OWNED BY ONE PERSON)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

(All amounts in Saudi Riyals)

	Note	2022	2021
ASSETS			
Cash at bank	6	29,008,219	8,845,876
Islamic financing and other receivables	7	334,249,663	38,898,693
Property and equipment	8	69,285	8,854
Intangible assets	9	6,665,805	5,168,849
TOTAL ASSETS		369,992,972	52,922,272
LIABILITIES AND EQUITY			
Accruals and other payables	10	21,700,591	3,909,567
Due to an owner	11	76,681,543	13,020,474
Murabaha loan	12	120,000,000	-
Provision for employees' end of service benefits	13	534,218	769,590
Total liabilities		218,916,352	17,699,631
EQUITY			
Share capital	15	148,000,000	57,000,000
Statutory reserve	16	2,427,849	-
Other reserves		447,944	(127,546)
Retained earnings (accumulated losses)		200,827	(21,649,813)
Total equity		151,076,620	35,222,641
TOTAL LIABILITIES AND EQUITY		369,992,972	52,922,272


Sami AlGhamdi
Finance Vice President


Sultan Al-Deghaither
Vice Chairman and
Managing Director

The accompany notes (1) to (21) form an integral part of these financial statements



TAMAM FINANCE COMPANY


(A CLOSED JOINT STOCK COMPANY - OWNED BY ONE PERSON)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in Saudi Riyals)

	Note	2022	2021
Income from Islamic financing		126,903,477	15,619,926
Subscription fees		(20,228,826)	(5,068,630)
Business Consulting		(133,085)	(443,260)
Employees' salaries and related charges		(12,852,668)	(8,751,445)
Depreciation and amortization	8 & 9	(1,956,701)	(1,652,201)
IT related costs		(6,717,036)	(4,490,707)
Other operating expenses	14	(16,674,607)	(3,894,463)
Allowance for expected credit losses	7	(39,551,267)	(2,885,480)
Income/(loss) from operation		28,789,287	(11,566,260)
Other income		322,844	17,342
Financial charges		(2,136,032)	-
Income/(loss) before zakat		26,976,099	(11,548,918)
Zakat	17	(2,697,610)	(211,026)
Income (loss) for the year		24,278,489	(11,759,944)
Other comprehensive income/(loss)			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of employees' end of service benefits		575,490	(127,546)
Total comprehensive income (loss) for the year		24,853,979	(11,887,490)


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Sultan Al-Deghaither
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TAMAM FINANCE COMPANY
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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in Saudi Riyals)

	Share capital	Statutory reserve	Other reserves	Retained earnings (accumulated Losses)	Total
Balance at 1 January 2022	57,000,000	-	(127,546)	(21,649,813)	35,222,641
Increase in share capital	91,000,000	-	-	-	91,000,000
Income for the year	-	-	-	24,278,489	24,278,489
Other comprehensive income	-	-	575,490	-	575,490
Total comprehensive income for the year	-	-	575,490	24,278,489	24,853,979
Transfer to statutory reserve	-	2,427,849	-	(2,427,849)	-
Balance as at 31 December 2022	148,000,000	2,427,849	447,944	200,827	151,076,620
Balance at 1 January 2021	20,000,000	-	-	(9,889,869)	10,110,131
Increase in share capital	37,000,000	-	-	-	37,000,000
Loss for the year	-	-	-	(11,759,944)	(11,759,944)
Other comprehensive loss	-	-	(127,546)	-	(127,546)
Total comprehensive loss for the year	-	-	(127,546)	(11,759,944)	(11,887,490)
Balance at 31 December 2021	57,000,000	-	(127,546)	(21,649,813)	35,222,641


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TAMAM FINANCE COMPANY
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in Saudi Riyals)

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income/(loss) before zakat		26,976,099	(11,548,918)
Adjustments to reconcile loss for the year before zakat to net cash from operating activities:			
Allowance for expected credit losses	7	39,551,267	2,885,480
Depreciation and amortization	8 & 9	1,956,701	1,652,201
Provision for employees' end-of-service benefits	13	340,118	666,789
		<u>68,824,185</u>	<u>(6,344,448)</u>
Changes in working capital			
Islamic financing and other receivables		(334,902,237)	(39,198,086)
Accruals and other payables		15,093,414	3,515,366
Due to an owner		154,661,069	(4,018,383)
Cash used in operating activities		<u>(96,323,569)</u>	<u>(46,045,551)</u>
Employees' end-of-service benefits paid	13	-	(106,919)
Net cash used in operating activities		<u>(96,323,569)</u>	<u>(46,152,470)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	8	(76,685)	(11,303)
Purchase of intangible assets	9	(3,437,403)	(549,661)
Net cash used in investing activities		<u>(3,514,088)</u>	<u>(560,964)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Murabaha loan	12	120,000,000	-
Proceeds from share capital introduced		-	37,000,000
Net cash generated from financing activities		<u>120,000,000</u>	<u>37,000,000</u>
Net change in cash and cash equivalents		<u>20,162,343</u>	<u>(9,713,434)</u>
Cash and cash equivalents at beginning of the year		<u>8,845,876</u>	<u>18,559,310</u>
Cash and bank balances at end of the year		<u>29,008,219</u>	<u>8,845,876</u>
Non-cash items			
Transfer from due to an owner to capital	15	91,000,000	-
Remeasurement of employees' end of service benefits	13	575,490	(127,546)


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The accompany notes (1) to (21) form an integral part of these financial statements

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TAMAM FINANCE COMPANY
(A CLOSED JOINT STOCK COMPANY - OWNED BY ONE PERSON)

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals)

1 GENERAL INFORMATION AND ACTIVITIES

The Company is a "Closed Joint Stock Company" registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration no. 1010573360 dated 9 Shaban 1440 (H) corresponding to 15 April 2019 (G).

The Company is wholly owned by Mobile Telecommunications Company Saudi Arabia ("Parent Company"). The ultimate parent company of the Company is Oman Telecommunications Company SAOG, Oman.

The Company is engaged in providing consumer finance services in accordance with the approval of Saudi Central Bank ("SAMA") numbered 57/A SH/202012 issued on 15 Jamada Awwal 1442 (H) corresponding to 20 December 2020.

The duration of the Company is 49 years starting from the date of registration of the Commercial Registration.

The registered address of the Company is P.O. Box 295814, Riyadh 11351, Kingdom of Saudi Arabia.

On 1 Safar 1441 (H) corresponding to 30 September 2019 (G), the Company was converted from Limited Liability Company to Closed Joint Stock Company. During 2020, the name of the Company was changed from "Zain Payments Company Ltd" to "Tamam Finance Company".

2 BASIS OF PREPARATION

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standard "IFRS" that is endorsed in the Kingdom of Saudi Arabia along with other pronouncement issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis of measurement

These financial statements have been prepared on the historical cost basis unless otherwise described in the notes.

Functional and presentation currency

These financial statements are presented in Saudi Riyals (SR) which is the functional currency of the Company. All the amounts have been rounded off to the nearest Saudi Riyals.

TAMAM FINANCE COMPANY
(A CLOSED JOINT STOCK COMPANY - OWNED BY ONE PERSON)

NOTES TO THE FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals)

3 APPLICATION OF NEW AND REVISED STANDARDS

New standards, interpretations and amendments to accounting standards adopted by the Company

Following standard, interpretation or amendment are effective from the current year and are adopted by the Company, however, these does not have any impact on the financial statements of the year unless otherwise stated below:

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On March 31, 2021, the IASB published an additional amendment to extend the date of the practical expedient from June 30, 2021 to June 30, 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after June 01, 2022
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	<p>Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p>Amendments to IAS 16, 'Property and equipment' prohibit a company from deducting from the cost of property and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.</p> <p>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.</p> <p>Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.</p>	Annual periods beginning on or after January 01, 2022.

TAMAM FINANCE COMPANY
(A CLOSED JOINT STOCK COMPANY - OWNED BY ONE PERSON)

NOTES TO THE FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals)

3 APPLICATION OF NEW AND REVISED STANDARDS (continued)

New Standards not yet effective

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than January 01, 2024
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after January 01, 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after January 01, 2023
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after January 01, 2023.
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely

NOTES TO THE FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals)

4 SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses except for assets under construction and land.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of annual reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

The Company applies the following annual rates of depreciation to its property and equipment:

	<u>Life</u>
Computers	33.33%

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Assets under construction are stated at cost and not depreciated. Depreciation on assets under construction commences when the assets are ready for their intended use. When assets are ready for their intended use, they are transferred to property and equipment or intangible assets. Finance costs on borrowings to finance the construction of qualified assets are capitalized during the period that is required to complete and prepare the asset for its intended use.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

TAMAM FINANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

The Company applies the following annual rates of amortization to its intangible assets:

	<u>Life</u>
Computer software, IT systems	20%

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss when the asset is derecognized.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cash and bank balances

Cash and cash equivalents comprise cash on hand and cash at bank.

Employee benefits

End of service benefits

The end-of-service indemnity provision is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Re-measurements, comprising actuarial gains and losses, are reflected immediately in the statement of changes in equity as a remeasurement reserve / other reserves with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurements recognized in other comprehensive income will not be reclassified to profit or loss in subsequent periods.

TAMAM FINANCE COMPANY
(A CLOSED JOINT STOCK COMPANY - OWNED BY ONE PERSON)

NOTES TO THE FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- Re-measurements

The Company presents the first two components of defined benefit costs in profit or loss in the line item "Employees' salaries and related charges."

Retirement benefits

The Company pays retirement contributions for its Saudi Arabian employees to the General Organization for Social Insurance. This represents a defined contribution plan. The payments made are expensed as incurred.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, sick leave and air tickets in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Foreign currencies

Transactions in currencies other than the Company's functional currency (foreign currencies), which is Saudi Riyals, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

Zakat

Zakat is provided in accordance with the regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia and on accruals basis. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

TAMAM FINANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies

Contingent assets are not recognized as an asset until realization becomes virtually certain. Contingent liabilities are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Contingent liabilities arising in a business combination are recognized if their fair value can be measured reliably.

Revenue

Income from financing

Income from financing is recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to or the amortized cost of the financial instrument.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Measurement of amortized cost and income from financing

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating income from financing, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, income from financing is calculated by applying the effective special commission rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of income from financing reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

NOTES TO THE FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022
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4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Fair value through profit or loss (FVTPL)

Financial assets fair valued through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of profit or loss in the finance income or expense line. The Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Fair value through other comprehensive income (FVOCI)

Financial assets fair valued through other comprehensive income are carried at fair value with changes in fair value recognized in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to statement of profit or loss and other comprehensive income.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in the fair value through other comprehensive income reserve. The Company does not have any such financial assets. The Company does not have any financial instruments measured at FVOCI.

Amortized cost

These assets arise principally from the provision of services to customers (e.g. Islamic financing receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective profit rate method, less provision for impairment, if any.

Subsequent measurement of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVOCI):

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

The Company does not have any debt instruments measured at FVOCI.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). The Company does not have any financial assets measured at FVTPL.

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4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

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

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses (see below). Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

Impairment of financial assets

The financial assets at amortized cost consist of Islamic financing receivables, cash and cash equivalents, and other receivables.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Company has elected to measure loss allowances for Islamic financing receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- The financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

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

ECLs are discounted at the effective interest rate of the financial asset.

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4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment loss allowance related to Islamic financing and other receivables and are presented separately in statement of profit or loss and other comprehensive income.

De-recognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities

Fair value through profit or loss

Financial liabilities fair valued through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of profit or loss account. The Company does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

Accounts and other payables, which are initially recognized at fair value and subsequently carried at amortised cost using the effective interest method.

De-recognition

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

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

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5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATED AND ASSUMPTIONS

The preparation of financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Significant estimates in applying accounting policies

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing 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 restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most 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.

Impairment of Islamic financing receivable

An estimate of the collectible amount of Islamic financing receivable is made based on the expected credit loss model at an amount equal to the life time ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Useful lives and residual values of property and equipment and intangible assets

An estimate of the useful lives and residual values of property and equipment and intangible assets, which comprise a significant portion of the Company's total assets, is made for the purposes of calculating depreciation and amortization respectively. These estimates are made based on expected usage for useful lives. Residual value is determined based on experience and observable data where available.

Provision for employees' end of service benefits

The Company makes various estimates in determining the provision for employees' end of service benefits provision. These estimates are disclosed in note 13.

Provision for zakat

The calculation of the Company's zakat charge necessarily involves a degree of estimation and judgment in respect of certain items whose treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits and losses and/or cash flows.

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6 CASH AT BANK

	2022	2021
Cash at banks	29,008,219	8,845,876

7 ISLAMIC FINANCING AND OTHER RECEIVABLES

	2022	2021
Islamic financing receivables	369,109,395	41,610,123
Unearned finance income	(887,032)	(161,062)
	368,222,363	41,449,061
Less: Allowance for expected credit loss	(36,354,290)	(2,719,803)
Net Islamic financing receivables	331,868,073	38,729,258
Other receivables	2,381,590	169,435
	334,249,663	38,898,693

All the financing facilities provided by Company are Shariah compliant, accordingly they are unconventional in nature.

The Company performs credit-vetting procedures before granting credit to new customers. These procedures are reviewed and updated on an ongoing basis. There have been no changes to these procedures from the previous year.

	2022	2021
Performing	289,467,553	35,423,021
Non-performing	42,400,520	3,306,237
	331,868,073	38,729,258

Movement on the allowance for doubtful debts

	2022	2021
Opening balance	2,719,803	165,150
Written-off during the year	(5,916,780)	(330,827)
Charged for the year	39,551,267	2,885,480
Closing balance	36,354,290	2,719,803

In determining the recoverability of an Islamic financing receivable, the Company considers any change in the credit quality of the Islamic financing receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. The Company does not hold any collateral over the impaired Islamic financing receivables.

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7 ISLAMIC FINANCING AND OTHER RECEIVABLES (continued)

The movement of Islamic financing and ECL allowance is a follow:

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
At 1 January 2022	55,869	305,031	2,358,903	2,719,803	31,738,639	4,338,772	5,371,650	41,449,061
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(1,986)	1,986	-	-	(1,636,352)	1,636,352	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(9,624)	(40,437)	50,061	-	(3,573,004)	(526,353)	4,099,357	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	1,460	(1,460)	-	-	21,189	(21,189)	-	-
New originated	453,631	8,753,793	25,135,305	34,342,729	195,575,648	100,778,662	65,112,201	361,466,511
Charge for the period (net)	(40,397)	(181,025)	5,431,811	5,210,389	(25,149,129)	(4,418,841)	793,392	(28,774,578)
Write-offs	-	-	(5,918,631)	(5,918,631)	-	-	(5,918,631)	(5,918,631)
At 31 December 2022	458,953	8,837,888	27,057,449	36,354,290	196,976,991	101,787,403	69,457,969	368,222,363

8 PROPERTY AND EQUIPMENT

	2022	2021
Cost		
At 1 January	11,303	-
Additions	76,685	11,303
At 31 December	87,988	11,303
Depreciation		
At 1 January	2,449	-
Charged during the year	16,254	2,449
At 31 December	18,703	2,449
Net book value	69,285	8,854

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9 INTANGIBLE ASSETS

	Computer software and IT systems	Assets under construction	Total
Cost			
At 1 January 2022	8,247,310	118,125	8,365,435
Additions	1,731,082	1,706,321	3,437,403
Transfer	823,030	(823,030)	-
At 31 December 2022	10,801,422	1,001,416	11,802,838
Accumulated depreciation			
At 1 January 2022	3,196,586	-	3,196,586
Charged during the year	1,940,447	-	1,940,447
At 31 December 2022	5,137,033	-	5,137,033
Net book value as at 31 December 2022	5,664,389	1,001,416	6,665,805
	Computer software and IT systems	Assets under construction	Total
Cost			
At 1 January 2021	7,815,774	-	7,815,774
Additions	431,536	118,125	549,661
At 31 December 2021	8,247,310	118,125	8,365,435
Accumulated depreciation			
At 1 January 2021	1,546,834	-	1,546,834
Charged during the year	1,649,752	-	1,649,752
At 31 December 2021	3,196,586	-	3,196,586
Net book value as at 31 December 2021	5,050,724	118,125	5,168,849

10 ACCRUALS AND OTHER PAYABLES

	2022	2021
Subscription fees	14,396,153	3,450,007
Employee related	2,557,421	96,282
Accrued interest	1,838,381	-
Zakat provision (Note 17)	2,908,636	211,026
Deferred revenue	-	152,252
	21,700,591	3,909,567

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11 AMOUNTS DUE TO RELATED PARTIES

During the year, the Company had the following related party transactions:

<u>Related party</u>	<u>Relationship</u>	<u>Nature</u>	<u>2022</u>	<u>2021</u>
Mobile Telecommunications Company	Parent Company	Expenses paid on behalf of the Company	(63,646,981)	(22,248,505)
		Transfer of property and equipment and	3,514,088	560,964
		Net funds transfer from (to)	87,500,000	(23,000,000)

Due to an owner:

	<u>2022</u>	<u>2021</u>
Mobile Telecommunications Company Saudi Arabia	76,681,543	13,020,474

The Company enters into transactions in the normal course of business and all transactions are arm's length basis. Amount due from related party are interest free, unsecured and repayable on demand.

The company is located in the same rented building of the parent company where the office rent is borne by parent company and does not charge the company for the rent.

Following are the major related party transactions with key management personnel during the period:

<u>Related parties</u>	<u>Nature of transactions</u>	<u>2022</u>	<u>2021</u>
Key management personnel	Compensation – salaries and other incentive	4,770,790	5,567,219
	Provision for employees' defined benefit liabilities	183,043	199,112

Board of Directors remuneration

The Company did not pay any remuneration to its Board of Directors for the year ended 31 December 2022.

12 MURABAHA LOAN

On 27 September 2020, the Parent Company (including its subsidiaries) has a working capital facility Murabaha agreement amounting to SR 1 billion. Financing charges, as specified under the agreement are payable in quarterly installments over five years. The facility is secured partially by a guarantee from Mobile Telecommunications Company K.S.C, pledge of shares of the parent Company owned by some of the founding shareholders, assignment of certain contracts and receivables and pledge over fixed assets up to the outstanding balance as on 31 December 2022. The Company has utilized only SR 120 million as at ended 31 December 2022 which will be fully repaid by May 2023, however the Company has repaid full loan in February. The USD denominated loan carries interest 1.5 plus LIBOR and SR denominated interest rate is 1.5 plus SIBOR.

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13 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

The Company provides end of service benefits to its employees. The entitlement is based upon the employees' final salary and length of service, subject to the completion of a minimum service year, calculated under the provisions of the labor Law and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the year of employment.

The Company's plan is exposed to actuarial risks such as: discount rate and salary risk.

- Discount risk: A decrease in the discount rate will increase the plan liability.
- Salary risk: The present value of the end of service benefit plan liability is calculated by reference to the estimated future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

	2022	2021
Opening balance	769,590	82,174
Current service cost	327,037	664,803
Interest cost	13,081	1,986
Payment	-	(106,919)
Actuarial (gain)/loss	(575,490)	127,546
Closing balance	534,218	769,590

Movements in actuarial gain (loss) recognized in OCI are as follows:

	2022	2021
Opening balance	(127,546)	-
Remeasurement gain/(loss) – effect of experience adjustments	575,490	(127,546)
Closing balance	447,944	(127,546)

The maturity profile of the undiscounted benefit obligation is as follows:

	2022	2021
Expected employer contributions		
Year 1	12,179	87,110
Year 2	31,406	91,430
Year 3	118,757	93,225
Year 4	71,912	85,236
Year 5	114,333	97,403
Next 5 years	1,008,167	614,020

The most recent actuarial valuation was performed by Lux Actuaries & Consultants and was performed using the projected unit credit method.

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13 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS (continued)

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	2022	2021
Attrition rates	10% to 13%	10% to 13%
Salary increases	4.0%	3.0%
Discount rate	4.6%	4.0%

All movements in the end of service benefits liability are recognized in statement of profit or loss except for the actuarial gain which is recognized in other comprehensive income.

	2022	2021
Base Scenario	534,218	769,590
Discount Rate: Increase by 1%	465,356	700,788
Discount Rate: Decrease by 1%	617,346	849,272
Salary Escalation Rate: Increase by 1%	616,998	849,272
Salary Escalation Rate: Decrease by 1%	464,383	699,539

14 OTHER OPERATING EXPENSES

	2022	2021
Advertising and marketing	11,423,212	1,285,124
Subscriptions	2,978,405	921,027
Legal and professional charges	1,584,563	190,415
System support and license	319,741	276,766
Others	368,686	1,221,131
	16,674,607	3,894,463

15 SHARE CAPITAL

The Company had 14,800,000 (31 December 2021: 5,700,000) shares of SR 10 each in issue as at the reporting date.

During the year, the Board of Directors resolved to increase the share capital of the Company from SR 57 million to SR 148 million through transfer from amount due to an owner. The increase in capital was approved by the Saudi Central Bank via letter 43102505 dated 19 Dhu Al-Hijjah 1443H (corresponding to 18 July 2022). The extraordinary General Assembly have met on 6 October 2022 and approved the capital increase recommended by the Board of Directors. The company's By-Laws and Commercial Registration has been amended.

16 STATUTORY RESERVE

In accordance with the Companies' Law in Kingdom of Saudi Arabia, the Company established a statutory reserve by the appropriation of 10% of net income until the reserve equaled 30% of the share capital. This reserve is not available for distribution.

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17 PROVISION FOR ZAKAT

The components of the zakat base of the Company under zakat regulations are as follows:

	2022	2021
Additions:		
Total Equity	96,476,620	19,933,520
Internal fund sources	36,888,508	3,489,393
Sources of funds	133,365,128	23,422,913
Deductions:		
Property and equipment	69,285	8,854
Intangible assets	6,665,805	5,168,849
Islamic financing receivables	187,234,911	-
Non-Zakatable assets	193,970,001	5,177,703
Total Assets	369,992,972	40,596,263
Zakatable assets ("Total assets" less "Non-Zakatable assets")	176,022,971	35,418,560
Zakat base (Sources of funds*Zakatable assets/ Total assets)	63,448,032	20,435,523
Gross profit	60,406,348	10,551,296
Net profit (loss) before zakat	26,976,099	(11,548,918)
4 times net profit/40% times gross profit	107,904,396	4,220,518
8 times net profit/80% times gross profit	215,808,792	8,441,037
Minimum / maximum Zakat base	107,904,396	8,441,037
Zakat due at @2.5% "Provision for zakat during the year"	2,697,610	211,026

In accordance with zakat regulations applicable to zakat years starting from January 1, 2019, zakat base, excluding the adjusted net income element, is subject to zakat at 2.5% adjusted by ratio of Gregorian to Hijri year number of days (e.g., 2.5% * 365/354).

Zakat is calculated at 2.5% on the net profit element for the current year and gross profit for prior year due to the net loss.

Movement in Zakat provision

	2022	2021
Balance at the beginning of the year	211,026	-
Charged for the year	2,697,610	211,026
Balance at the end of the year	2,908,636	211,026

Status of assessment

Till the year ended 31 December 2020, the Company had submitted its information related to zakat returns through the Parent Company as the Parent Company had filed a consolidate zakat return which includes the company's accounts. The Parent Company had submitted its Zakat returns up to 31 December 2020 and obtained the certificates. The Company has filed its first Zakat return for the year ended 31 December 2021 by itself and obtained the certificates. Final assessments have not been raised by Zakat, Tax and Customs Authority ("ZATCA") yet.

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18 FINANCIAL INSTRUMENTS

The Company's use of financial instruments exposes it to a variety of financial risks. The Company continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework and developing and monitoring the risk management policies in close co-operation with the Company's operating units. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Company's activities. The Company through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company's Board Committee oversees how management monitors compliance with the risk management policies and procedures and reviews adequacy of the risk management framework in relation to the risks faced by the Company. The Board Committee is assisted in its oversight role by the internal audit and the Company risk management department.

The Company is exposed through its operations to the following financial risks:

- Market risk
- Foreign exchange risk
- Credit risk
- Interest rate risk, and;
- Liquidity risk.

These risks are discussed below:

Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to foreign currency risk and interest rate risk only. Management of the Company believes that the market risk for the financial instruments is not significant.

Foreign currency risk management

Saudi Riyal currency is considered as the functional currency of the Company which is pegged against the United States Dollar. Therefore, the Company is only exposed to exchange rate fluctuations from transactions denominated in foreign currencies other than United States Dollar. Since the Saudi riyals is pegged to united states Dollars and Company is not dealings in any other currencies, management of the Company believes that the currency risk for the financial instruments is not significant.

Interest and liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Potential concentrations of credit risk consist principally of Islamic financing receivables. Details of how credit risk relating to Islamic financing receivables is managed is disclosed in note 7.

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18 FINANCIAL INSTRUMENTS (continued)

Expected credit loss (ECL) measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition wherein if a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and if the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.

Significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the Company considers quantitative, qualitative information and backstop indicators and analysis based on the Company's historical experience and expert credit risk assessment, including forward-looking information. For customer, distributors, roaming and interconnect Islamic financing receivables significant increase in

credit risk criteria does not apply since the Company is using simplified approach which requires use of lifetime expected loss provision.

For amounts due from banks, the Company uses the low credit risk exemption as permitted by IFRS 9 based on the external rating agency credit grades. If the financial instrument is rated below BBB- (sub investment grade) on the reporting date, the Company considers it as significant increase in credit risk.

Financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

Credit impaired assets

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, there is sufficient doubt about the ultimate collectability; or the customer is past due for more than 30 days.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company has performed historical analysis and identified Gross Domestic Product (GDP) of each geography in which they operate as the key economic variables impacting credit risk and ECL for each portfolio. Relevant macro-economic adjustments are applied to capture variations from economic scenarios. These reflect reasonable and supportable forecasts of future macro-economic conditions that are not captured within the base ECL calculations. Incorporating forward-looking information increases the degree of judgement required as to how changes in GDP will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

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18 FINANCIAL INSTRUMENTS (continued)

Significant increase in credit risk (continued)

Incorporation of forward-looking information (continued)

For Islamic financing receivables, the Company uses a provision matrix based on the historic default rates observed and adjusted for forward looking factors to measure ECL as given below.

Aging brackets of Islamic financing receivables*	2022		
	Estimated total gross carrying amount at default	Expected credit loss rate %	Lifetime ECL
Not due /< 30 days	197,864,023	0.23%	458,953
31 – 60 days	60,424,822	6.99%	4,223,567
61 – 90 days	41,362,581	11.16%	4,614,321
91 – 120 days	27,990,917	30.00%	8,397,275
121 -360 days	41,467,052	45.00%	18,660,174
	369,109,395	9.85%	36,354,290

*any outstanding more than 360 days, written off.

Aging brackets of Islamic financing receivables	2021		
	Estimated total gross carrying amount at default	Expected credit loss rate %	Lifetime ECL
Not due /< 30 days	31,899,701	0.18%	55,869
31 – 60 days	2,645,164	5.71%	151,050
61 – 90 days	1,693,608	8.85%	153,981
91 – 120 days	2,956,860	38.57%	1,107,633
121 -360 days	2,414,790	45.65%	1,251,270
	41,610,123	6.54%	2,719,803

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. The Company has accumulated losses as of that date. These conditions indicate that the Company's ability to meet its obligations as they become due and to continue as a going concern are dependent upon the Company's ability to arrange adequate funds in a timely manner. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are made available to meet any future commitments. The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total contractual cash flows	Carrying amount
At 31 December 2022						
Murabaha loan	120,000,000	-	-	-	120,000,000	120,000,000
Accrued interests*	2,658,700	-	-	-	2,658,700	2,658,700
Due to an owner	76,681,543	-	-	-	76,681,543	76,681,543
	2,00,510,590	-	-	-	2,00,510,590	2,00,510,590
At 31 December 2021						
Due to an owner	13,020,474	-	-	-	13,020,474	13,020,474
	13,020,474	-	-	-	13,020,474	13,020,474

*it includes future interest

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18 FINANCIAL INSTRUMENTS (continued)

18.1 Fair value of financial instruments

Assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This Grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

All the financial assets and liabilities of the Company are carried at amortized cost. Therefore, the fair value hierarchy disclosure which requires a three-level category of fair value is not disclosed.

18.2 Carrying amount vs fair value

The Company considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

- Cash at bank
- Islamic financing and other receivables
- Accruals and other payables

	2022	2021
Financial Assets		
Financial assets at amortized cost:		
Cash at bank	29,008,219	8,845,876
Islamic financing receivables	331,868,073	38,729,258
Total financial assets at amortized cost	360,876,292	47,575,134
Total financial assets	360,876,292	47,575,134
FINANCIAL LIABILITIES		
Financial liabilities at amortized cost:		
Murabaha loan	120,000,000	-
Due to an owner	76,681,543	13,020,474
Total Financial liabilities at amortized cost:	196,681,543	13,020,474
Total financial liabilities	196,681,543	13,020,474

19 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments of the Company at any of the reporting dates.

20 COMPARATIVE INFORMATION

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year.

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21 APPROVED FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 5 of March 2023.