

**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 2023**

TAMAM FINANCE COMPANY
(A CLOSED JOINT STOCK COMPANY - OWNED BY ONE PERSON)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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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 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with 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.

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 that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Owner 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 Owner 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

Ahmed Ibrahim Reda
Certified Public Accountant
License No. (356)



Riyadh: (23 Sha'ban 1445H)
(4 March 2024)

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(All amounts in Saudi Riyals)

	Note	2023	2022
ASSETS			
Cash and bank balances	6	23,232,831	29,008,219
Net Islamic financing and other receivables	7	598,535,745	334,249,663
Property and equipment	8	1,632,551	69,285
Intangible assets	9	8,995,715	6,665,805
Right of use asset	12	3,237,684	-
TOTAL ASSETS		635,634,526	369,992,972
LIABILITIES AND EQUITY			
Accruals and other payables	10	46,495,095	18,791,955
Due to Owner	11	370,962,796	76,681,543
Lease liability	12	5,014,284	-
Murabaha loan	13	-	120,000,000
Provision for employees' end of service benefits	14	879,198	534,218
Zakat provision	19	10,022,817	2,908,636
Total liabilities		433,374,190	218,916,352
EQUITY			
Share capital	17	148,000,000	148,000,000
Statutory reserve	18	7,598,464	2,427,849
Other reserves	14	(75,871)	447,944
Retained earnings		46,737,743	200,827
Total equity		202,260,336	151,076,620
TOTAL LIABILITIES AND EQUITY		635,634,526	369,992,972



Mohammed AlFaraj
Acting Head of Finance



Yousef AlMusailleem
Chief Executive Officer



Sultan Al-Deghaither
Vice Chairman and
Managing Director

The accompany notes (1) to (23) 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 2023**

(All amounts in Saudi Riyals)

	Note	2023	2022
Income from Islamic financing	15	283,573,479	126,903,477
Customer information inquiry fees		(52,341,144)	(20,228,826)
Business consulting		(140,979)	(133,085)
Employees' salaries and related charges		(18,752,408)	(12,852,668)
Depreciation and amortization	8,9 & 12	(4,276,995)	(1,956,701)
IT related costs		(10,368,272)	(6,717,036)
Other operating expenses	16	(45,436,993)	(16,674,607)
Allowance for expected credit losses	7	(94,293,894)	(39,551,267)
Income from operation		57,962,794	28,789,287
Other income		2,130,456	322,844
Financial charges		(1,194,310)	(2,136,032)
Income before zakat		58,898,940	26,976,099
Zakat	19	(7,191,409)	(2,697,610)
Net income for the year		51,707,531	24,278,489
Other comprehensive (loss)/income			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of employees' end of service benefits		(523,815)	575,490
Total comprehensive income for the year		51,183,716	24,853,979



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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in Saudi Riyals)

	Share capital	Statutory reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2023	148,000,000	2,427,849	447,944	200,827	151,076,620
Net income for the year	-	-	-	51,707,531	51,707,531
Other comprehensive loss	-	-	(523,815)	-	(523,815)
Total comprehensive income for the year	-	-	(523,815)	51,707,531	51,183,716
Transfer to statutory reserve	-	5,170,615	-	(5,170,615)	-
Balance as at 31 December 2023	148,000,000	7,598,464	(75,871)	46,737,743	202,260,336
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
Net 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 at 31 December 2022	148,000,000	2,427,849	447,944	200,827	151,076,620



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TAMAM FINANCE COMPANY
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals)

	Note	2023	2022
OPERATING ACTIVITIES			
Income before zakat		58,898,940	26,976,099
Adjustments to reconcile income for the year before zakat to net cash from operating activities:			
Allowance for expected credit losses	7	94,293,894	39,551,267
Financial charges		1,194,310	2,136,032
Depreciation and amortization	8,9 & 12	4,276,995	1,956,701
Provision for employees' end-of-service benefits	14	594,771	340,118
		<u>159,258,910</u>	<u>70,960,217</u>
Changes in working capital			
Islamic financing and other receivables		(358,579,976)	(334,902,237)
Accruals and other payables		29,541,521	13,255,033
Due to an Owner		287,596,303	151,146,981
Cash generated from/ (used in) operating activities		<u>117,816,758</u>	<u>(99,540,006)</u>
Zakat paid		(77,228)	-
Employees' end-of-service benefits paid	14	(785,167)	-
Net cash generated from/(used in) operating activities		<u>116,954,363</u>	<u>(99,540,006)</u>
FINANCING ACTIVITIES			
Proceeds from short-term borrowings	13	25,000,000	120,000,000
Payment of short-term borrowings	13	(145,000,000)	-
Financial charges paid		(2,729,751)	(297,651)
Net cash (used in)/generated from financing activities		<u>(122,729,751)</u>	<u>119,702,349</u>
Net (decrease) /increase in cash and bank balances		<u>(5,775,388)</u>	<u>20,162,343</u>
Cash and bank balances at beginning of the year		<u>29,008,219</u>	<u>8,845,876</u>
Cash and bank balances at end of the year		<u>23,232,831</u>	<u>29,008,219</u>
Non-cash items			
Transfer of property and equipment	8	(1,668,826)	(76,685)
Transfer of intangible assets	9	(5,027,685)	(3,437,403)
Right of use asset and lease liability	12	4,711,344	-
Remeasurement of employees' end of service benefits	14	523,815	(575,490)
End of service benefits transfer from the Owner	14	11,561	-
Transfer from due to an Owner to capital	17	-	91,000,000



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The accompany notes (1) to (23) form an integral part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

(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 are endorsed in the Kingdom of Saudi Arabia and other pronouncement that are endorsed by Saudi Organization for Chartered and Professional Accountants (SOCPA) and the provision of Companies' law and Company's by-laws.

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.

Assets and liabilities in the statement of financial position are presented in the order of liquidity.

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

NOTES TO THE FINANCIAL STATEMENT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

(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.

The Company has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

Standard, interpretation and amendments	Description	Effective date
IFRS 17, 'Insurance contracts'	This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts.	1 January 2023
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.	1 January 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	1 January 2023
Amendment to IAS 12 - International tax reform - pillar two model rules -	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023

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

NOTES TO THE FINANCIAL STATEMENT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in Saudi Riyals)

3 APPLICATION OF NEW AND REVISED STANDARDS (continued)

New standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. The below new and amended standards and interpretations are not expected to have a material impact on the Company's financial statements.

Standard, interpretation and amendments	Description	Effective date
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
IFRS S1 & IFRS S2, General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from SOCPA
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	(Available for optional adoption/effective date deferred indefinitely)
Amendments to IAS 21	Lack of exchangeability – Amendments to IAS 21	1 January 2025

4 MATERIAL ACCOUNTING POLICIES

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. 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.

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

NOTES TO THE FINANCIAL STATEMENT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in Saudi Riyals)

4 MATERIAL ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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

	<u>Life</u>
Computers	33.33%
Leasehold improvements	20% or shorter of lease term
Furniture	20%

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.

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.

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

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

Intangible assets (continued)

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.

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

NOTES TO THE FINANCIAL STATEMENT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in Saudi Riyals)

4 MATERIAL ACCOUNTING POLICIES (continued)

Cash and bank balances

Cash and bank balances 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.

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.

TAMAM FINANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in Saudi Riyals)

4 MATERIAL ACCOUNTING POLICIES (continued)

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.

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.

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

NOTES TO THE FINANCIAL STATEMENT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in Saudi Riyals)

4 MATERIAL ACCOUNTING POLICIES (continued)

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:

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.

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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NOTES TO THE FINANCIAL STATEMENT (continued)

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4 MATERIAL 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.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within a period of 12 months after the reporting date.

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

- Probability of default (PD) - In order to arrive at the PD, an expert judgment-based scorecard is built to assign the customers into different score pools depending on their risk profile.
- Loss given default (LGD) – The Company used proxy estimates of LGD.
- Exposure at default (EAD) - EAD is an estimate of the Company's exposure to its counterparty at the time of default and is expressed as the sum of the principal outstanding on an account and the interest accrued between the account's delinquency date and default date.

The Company categorizes its financial assets into following three stages in accordance with the IFRS-9 methodology:

- Stage 1 – Financial assets that are not significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on 12 months Probability of Default (PD).
- Stage 2 – Financial assets that has significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on lifetime ECL. The impairment allowance is recorded based on lifetime PD.
- Stage 3 – For financial assets that are impaired, the Company recognizes the impairment allowance based on lifetime PD.

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.

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NOTES TO THE FINANCIAL STATEMENT (continued)

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4 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

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.

Write-off

Financings and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to other income.

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a financing or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A financing that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail financing that is overdue for 90 days or more is considered impaired.

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.

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4 MATERIAL ACCOUNTING POLICIES (continued)

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.

IFRS 16 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortised over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

Right of use assets

The Company recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less lease incentives receivable if any, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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4 MATERIAL ACCOUNTING POLICIES (continued)

Lease liabilities (continued)

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company presents right of use assets that do not meet the definition of investment property and corresponding liabilities in separate line items captioned 'Right of use assets' and 'Lease liabilities' respectively, in the statement of financial position.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of property and equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term

5 MATERIAL 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.

Material 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.

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5. MATERIAL ACCOUNTING JUDGEMENTS, ESTIMATED AND ASSUMPTIONS (continue)

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 14.

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.

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 the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

6 CASH AND BANK BALANCES

	2023	2022
Bank balances	23,232,831	29,008,219

7 NET ISLAMIC FINANCING AND OTHER RECEIVABLES

	2023	2022
Islamic financing receivables	657,254,297	369,109,395
Unearned finance income	(1,361,983)	(887,032)
	655,892,314	368,222,363
Less: Allowance for expected credit loss	(58,787,687)	(36,354,290)
Net Islamic financing receivables	597,104,627	331,868,073
Other receivables	1,431,118	2,381,590
	598,535,745	334,249,663

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

	2023	2022
Performing	509,052,290	289,467,553
Non-performing	88,052,337	42,400,520
	597,104,627	331,868,073

Movement on the expected credit loss

	2023	2022
Opening balance	36,354,290	2,719,803
Written-off during the year	(71,860,497)	(5,916,780)
Charged for the year	94,293,894	39,551,267
Closing balance	58,787,687	36,354,290

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. The Company does not hold any collateral over the Islamic financing receivables.

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7 NET 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 2023	458,953	8,837,888	27,057,449	36,354,290	196,976,991	101,787,403	69,457,969	368,222,363
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(80,187)	401,724	(321,537)	-	(30,891,915)	31,778,197	(886,282)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(97,548)	(2,528,279)	2,625,827	-	(26,768,338)	(29,016,348)	55,784,686	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	295,460	(215,925)	(79,535)	-	3,007,619	(2,782,448)	(225,171)	-
New originated	639,205	6,762,594	20,331,316	27,733,115	349,812,324	90,922,904	59,023,138	499,758,366
Charge for the period	(534,019)	(1,671,172)	68,765,970	66,560,779	(129,414,121)	(34,091,169)	23,277,372	(140,227,918)
Write-offs	-	-	(71,860,497)	(71,860,497)	-	-	(71,860,497)	(71,860,497)
At 31 December 2023	681,864	11,586,830	46,518,993	58,787,687	362,722,560	158,598,539	134,571,215	655,892,314

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NOTES TO THE FINANCIAL STATEMENT (continued)

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7 NET ISLAMIC FINANCING AND OTHER RECEIVABLES (continued)

	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	(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

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8 PROPERTY AND EQUIPMENT

	Leasehold improvements	Computers	Furniture	Total
Cost				
At 1 January 2023	-	87,988	-	87,988
Additions	917,912	24,250	726,664	1,668,826
At 31 December 2023	917,912	112,238	726,664	1,756,814
Accumulated depreciation				
At 1 January 2023	-	18,703	-	18,703
Charge for the year	30,597	50,741	24,222	105,560
At 31 December 2023	30,597	69,444	24,222	124,263
Net book value as at 31 December 2023	887,315	42,794	702,442	1,632,551

	Leasehold improvements	Computers	Furniture	Total
Cost				
At 1 January 2022	-	11,303	-	11,303
Additions	-	76,685	-	76,685
At 31 December 2022	-	87,988	-	87,988
Accumulated depreciation				
At 1 January 2022	-	2,449	-	2,449
Charge for the year	-	16,254	-	16,254
At 31 December 2022	-	18,703	-	18,703
Net book value as at 31 December 2022	-	69,285	-	69,285

9 INTANGIBLE ASSETS

	Computer software and IT systems	Capital work in progress	Total
Cost			
At 1 January 2023	10,801,422	1,001,416	11,802,838
Additions	4,108,591	919,094	5,027,685
At 31 December 2023	14,910,013	1,920,510	16,830,523
Accumulated amortization			
At 1 January 2023	5,137,033	-	5,137,033
Charge for the year	2,697,775	-	2,697,775
At 31 December 2023	7,834,808	-	7,834,808
Net book value as at 31 December 2023	7,075,205	1,920,510	8,995,715

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NOTES TO THE FINANCIAL STATEMENT (continued)

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9 INTANGIBLE ASSETS (continued)

	Computer software and IT systems	Capital work in progress	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 amortization			
At 1 January 2022	3,196,586	-	3,196,586
Charge for 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

10 ACCRUALS AND OTHER PAYABLES

	2023	2022
Accrued expenses	31,257,697	14,396,153
Accrued employee benefits	4,379,172	2,557,421
Accrued interest	-	1,838,381
Other payable	10,858,226	-
	46,495,095	18,791,955

11 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties represent the Owner, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties. Terms of these transactions do not differ materially from any transactions carried out by management with any third party. The significant transactions with related parties during the year and the related balances are as follows:

<u>Related party</u>	<u>Relationship</u>	<u>Nature</u>	2023	2022
Mobile Telecommunications Company Saudi Arabia	Parent Company/Owner	Expenses paid on behalf of the Company	(117,584,741)	(63,646,981)
		Transfer for property and equipment and intangible assets	6,696,512	3,514,088
		Funds transfer	170,000,000	87,500,000

Due to an Owner:

	2023	2022
Mobile Telecommunications Company Saudi Arabia	370,962,796	76,681,543

Amount due to related party are interest free, unsecured and repayable on demand.

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11 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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

<u>Related parties</u>	<u>Nature of transactions</u>	<u>2023</u>	<u>2022</u>
Key management personnel	Compensation – salaries and other incentive	6,436,924	4,770,790
	Provision for employees' defined benefit liabilities	222,760	183,043

Board of Directors remuneration

The Company has paid SAR 512,500 to its Board of Directors and Audit Committee member during the year ended 31 December 2023 (2022: Nil).

12 LEASE LIABILITY AND RIGHT OF USE ASSET

Set out below are the carrying amounts of right-of-use assets i.e., office building taken on lease and the movement during the year:

	<u>2023</u>	<u>2022</u>
<i>a) Lease liability</i>		
As at 1 January	-	-
Addition	4,711,344	-
Accretion of interest	302,940	-
	5,014,284	-

Below is the break-up between current and non-current portion of lease liability:

	<u>2023</u>	<u>2022</u>
Current portion	3,540,623	-
Non-current portion	1,473,661	-
	5,014,284	-

	<u>2023</u>	<u>2022</u>
<i>b) Right of Use asset</i>		
As at 1 January	-	-
Addition	4,711,344	-
Depreciation	(1,473,660)	-
	3,237,684	-

13 MURABAHA LOAN

On 27 September 2020, the Parent Company (including its subsidiaries) has a working capital facility Murabaha agreement amounting to SR 1 billion to facilitate the subsidiaries in getting loans from the bank.. 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 year ended 31 December 2022 and had obtained additional facilities of SR 25 million during January 2023 which are due in May 2023. The total loan amounting to SR 145 million was fully repaid in February 2023. The USD denominated loan carried an interest of 1.5% plus LIBOR and SR denominated loan carried an interest of 1.5% plus SIBOR.

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14 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.

	2023	2022
Opening balance	534,218	769,590
Current service cost	530,123	327,037
Interest cost	64,648	13,081
Payment	(785,167)	-
Transferred from the Owner	11,561	-
Actuarial loss/(gain)	523,815	(575,490)
Closing balance	879,198	534,218

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

	2023	2022
Opening balance	447,944	(127,546)
Remeasurement (loss)/ gain – effect of experience adjustments and change in financial assumptions	(523,815)	575,490
Closing balance	(75,871)	447,944

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.

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

	2023	2022
Expected employer contributions		
Year 1	25,473	12,179
Year 2	128,621	31,406
Year 3	85,364	118,757
Year 4	125,864	71,912
Year 5	179,785	114,333
Next 5 years	1,594,132	1,008,167

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

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

	2023	2022
Attrition rates	10% to 13%	10% to 13%
Salary increases	4.0%	4.0%
Discount rate	4.95%	4.6%

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

Sensitivity analysis:

A qualitative sensitivity analysis for significant assumptions as at 31 December 2023 and 2022, is shown below:

2023	SR		
	<i>Impact on defined benefit obligation – Increase / (Decrease)</i>		
<i>Base Scenario</i>	<i>Change in assumption</i>	<i>Increase in assumption</i>	<i>Decrease in assumption</i>
Discount rate	+/-1%	(108,967)	131,632
Expected rate of salary increase	+/-1%	131,563	(110,842)

2022	SR		
	<i>Impact on defined benefit obligation – Increase / (Decrease)</i>		
<i>Base Scenario</i>	<i>Change in assumption</i>	<i>Increase in assumption</i>	<i>Decrease in assumption</i>
Discount rate	+/-1%	(68,862)	83,128
Expected rate of salary increase	+/-1%	82,780	(69,835)

15 INCOME FROM ISLAMIC FINANCING

	2023	2022
Interest income	278,041,413	123,548,640
Fee income	5,532,066	3,354,837
	283,573,479	126,903,477

16 OTHER OPERATING EXPENSES

	2023	2022
Advertising and marketing	26,906,167	11,423,212
Subscriptions	4,006,585	2,978,405
Legal and professional charges	1,593,822	1,584,563
System support and license	149,045	319,741
Collection charges	11,719,598	-
Others	1,061,776	368,686
	45,436,993	16,674,607

17 SHARE CAPITAL

The Company had 14,800,000 (31 December 2022: 14,800,000) shares of SR 10 each in issue as at the reporting date.

In 2022, 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 Owner. The extraordinary General Assembly had met on 6 October 2022 and approved the capital increase recommended by the Board of Directors. The Company's By-Laws and Commercial Registration have been amended in this regard.

Subsequent to the year end, the Board of Directors resolved to increase the share capital of the Company from SR 148 million to SR 248 million through transfer from amount due to Owner. This recommendation has to be approved by the Owner in the upcoming Extraordinary General Assembly.

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18 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.

19 PROVISION FOR ZAKAT

Movement in Zakat provision

	2023	2022
Balance at the beginning of the year	2,908,636	211,026
Charged for the year	7,191,409	2,697,610
Paid during the year	(77,228)	
Balance at the end of the year	10,022,817	2,908,636

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 Zakat return for the years ended 31 December 2021 and 31 December 2022 by itself and obtained the certificates for respective years. Final assessments have not been raised by Zakat, Tax and Customs Authority ("ZATCA") yet.

20 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.

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20 FINANCIAL INSTRUMENTS (CONTINUED)

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.

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.

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20 FINANCIAL INSTRUMENTS (CONTINUED)

Significant increase in credit risk (continued)

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.

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.

	2023		
	Estimated total gross carrying amount at default	Expected credit loss rate %	Lifetime ECL
<u>Aging brackets of Islamic financing receivables*</u>			
Not due /< 30 days	364,084,543	0.19%	681,865
31 – 60 days	45,296,145	4.72%	2,136,417
61 – 90 days	113,302,394	8.34%	9,450,413
91 – 120 days	77,041,352	30.00%	23,112,406
121 -360 days	57,529,863	40.69%	23,406,586
	657,254,297	8.94%	58,787,687

* any outstanding more than 360 days, written off.

	2022		
	Estimated total gross carrying amount at default	Expected credit loss rate %	Lifetime ECL
<u>Aging brackets of Islamic financing receivables</u>			
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

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20 FINANCIAL INSTRUMENTS (CONTINUED)

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
<i>At 31 December 2023</i>						
Lease liability	3,553,200	1,776,600	-	-	5,329,800	5,329,800
Accruals and other payable	35,741,096	-	-	-	35,741,096	35,741,096
Due to Owner	370,962,796	-	-	-	370,962,796	370,962,796
	<u>410,257,092</u>	<u>1,776,600</u>	<u>-</u>	<u>-</u>	<u>412,033,692</u>	<u>412,033,692</u>
<i>At 31 December 2022</i>						
Murabaha loan	120,000,000	-	-	-	120,000,000	120,000,000
Accruals and other payables	16,953,574	-	-	-	16,953,574	16,953,574
Accrued interests*	2,658,700	-	-	-	2,658,700	2,658,700
Due to Owner	76,681,543	-	-	-	76,681,543	76,681,543
	<u>216,293,817</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,293,817</u>	<u>216,293,817</u>

* it includes future interest

20.1 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.

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20 FINANCIAL INSTRUMENTS (CONTINUED)

20.2 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
- Due to Owner

	2023	2022
Financial Assets		
Financial assets at amortized cost:		
Cash and bank balances	23,232,831	29,008,219
Islamic financing receivables	597,104,627	331,868,073
Total financial assets at amortized cost	620,337,458	360,876,292
Total financial assets	620,337,458	360,876,292

FINANCIAL LIABILITIES

Financial liabilities at amortized cost:

Murabaha loan	-	120,000,000
Lease liability	5,014,284	-
Accruals and other payables	56,517,912	21,700,591
Due to Owner	370,962,796	76,681,543
Total Financial liabilities at amortized cost:	432,494,992	218,382,134
Total financial liabilities	432,494,992	218,382,134

21 CONTINGENCIES AND COMMITMENTS

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

22 COMPARATIVE INFORMATION

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

23 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 23 Sha'ban 1445 H (corresponding to 4 March 2024).