

TAMAM FINANCE COMPANY
(A CLOSED JOINT STOCK COMPANY)

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

TAMAM FINANCE COMPANY
(A CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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INDEPENDENT AUDITOR'S REPORT

**To the Shareholder of
Tamam Finance Company
(A Closed Joint Stock Company)**

Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tamam Finance Company (A Closed Joint Stock Company) ("the Company"), which comprise the statement of financial position as at 31 December 2021 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 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 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the 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 the IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA and the Regulations for Companies and the Company's Bylaws 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 the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, in particular the Audit Committee, are responsible for overseeing the Company's financial reporting process.

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 ISAs 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 ISAs 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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 Dr. Mohamed Al-Amri & Co.



Gihad Al-Amri
Certified Public Accountant
Registration No. 362



Riyadh, on: 10 Sha'ban 1443 (H)
Corresponding to: 13 March 2022 (G)

TAMAM FINANCE COMPANY
(A CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(All amounts in Saudi Riyals)

	Note	2021	2020
ASSETS			
Cash at bank	6	8,845,876	18,559,310
Tawaruq and other receivables	7	38,898,693	2,586,087
Property and equipment	8	5,063,805	6,115,815
Intangible assets	9	113,898	153,125
TOTAL ASSETS		52,922,272	27,414,337
LIABILITIES AND EQUITY			
Accruals and other payables	10	3,909,567	183,175
Due to related parties	11	13,020,474	17,038,857
Provision for employees' end of service benefits	12	769,590	82,174
Total liabilities		17,699,631	17,304,206
EQUITY			
Share capital	13	57,000,000	20,000,000
Other reserves		(127,546)	-
Accumulated losses		(21,649,813)	(9,889,869)
Total equity		35,222,641	10,110,131
TOTAL LIABILITIES AND EQUITY		52,922,272	27,414,337



Sultan Al-Deghaither
Vice Chairman and
Managing Director

The accompany notes (1) to (18) form an integral part of these financial statements

TAMAM FINANCE COMPANY
(A CLOSED JOINT STOCK COMPANY)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals)

	Note	2021	2020
Income from financing		15,619,926	729,335
Subscription fees		(5,068,630)	(1,591,875)
Business Consulting		(443,260)	(2,965,135)
Employees' salaries and related charges		(8,751,445)	(1,766,054)
Depreciation and amortization	8 & 9	(1,652,201)	(1,546,834)
IT related costs		(4,490,707)	(1,336,123)
Other operating expenses		(3,894,463)	(1,140,384)
Allowance for expected credit losses	7	(2,885,480)	(127,048)
Other income		17,342	-
Loss before zakat		(11,548,918)	(9,744,118)
Zakat		(211,026)	-
Loss for the year		(11,759,944)	(9,744,118)
Other comprehensive loss			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of employees' end of service benefits		(127,546)	-
Total comprehensive loss for the year		(11,887,490)	(9,744,118)


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TAMAM FINANCE COMPANY
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals)

	Share capital	Other reserves	Accumulated losses	Total
Balance at 1 January 2021	20,000,000	-	(9,889,869)	10,110,131
Share capital introduced	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 as at 31 December 2021	57,000,000	(127,546)	(21,649,813)	35,222,641
Balance at 1 January 2020	100,000	-	(145,751)	(45,751)
Share capital introduced	19,900,000	-	-	19,900,000
Loss for the year	-	-	(9,744,118)	(9,744,118)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(9,744,118)	(9,744,118)
Balance at 31 December 2020	20,000,000	-	(9,889,869)	10,110,131



Sultan Al-Deghaither
Vice Chairman and
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TAMAM FINANCE COMPANY
(A CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before zakat		(11,548,918)	(9,744,118)
Adjustments to reconcile loss for the year before zakat to net cash from operating activities:			
Allowance for expected credit losses	7	2,885,480	127,048
Depreciation and amortization	8 & 9	1,652,201	1,546,834
Provision for employees' end-of-service benefits	12	666,789	82,174
		<u>(6,344,448)</u>	<u>(7,988,062)</u>
Changes in working capital			
Tawaruq and other receivables		(39,198,086)	(2,657,502)
Accruals and other payables		3,515,366	179,116
Related parties, net		<u>(4,018,383)</u>	16,262,941
Cash (used in) / generated from operating activities		(46,045,551)	5,796,493
Employees' end-of-service benefits paid	12	<u>(106,919)</u>	-
Net cash (used in) / generated from operating activities		(46,152,470)	5,796,493
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	8	(554,428)	(7,628,274)
Purchase of intangible assets	9	<u>(6,536)</u>	<u>(187,500)</u>
Net cash used in investing activities		(560,964)	(7,815,774)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share capital introduced		<u>37,000,000</u>	19,900,000
Net cash generated from financing activities		37,000,000	19,900,000
Net change in cash and cash equivalents		(9,713,434)	17,880,719
Cash and cash equivalents at beginning of the year		<u>18,559,310</u>	678,591
Cash and bank balances at end of the year		8,845,876	<u>18,559,310</u>



Sultan Al-Deghaither
Vice Chairman and
Managing Director

The accompany notes (1) to (18) form an integral part of these financial statements

TAMAM FINANCE COMPANY
(A CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals)

1 ORGANIZATION AND ACTIVITIES

1.1 General Information

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.

3 APPLICATION OF NEW AND REVISED STANDARDS

3.1 New standards

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 but they had no material impact on these financial statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

TAMAM FINANCE COMPANY
(A CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts in Saudi Riyals)

3 APPLICATION OF NEW AND REVISED STANDARDS (continued)

3.1 New standards (continued)

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

3.2 Standards issued but not yet effective

The Company has not yet applied the following new and revised standards that have been issued but are not yet effective:

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

TAMAM FINANCE COMPANY
(A CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts in Saudi Riyals)

3 APPLICATION OF NEW AND REVISED STANDARDS (continued)

3.2 Standards issued but not yet effective (continued)

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

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>
IT systems and servers	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.

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
(A CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021
(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	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)

NOTES TO THE FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021
(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
(A CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021
(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:

TAMAM FINANCE COMPANY
(A CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts in Saudi Riyals)

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. Tawaruq 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.

TAMAM FINANCE COMPANY
(A CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts in Saudi Riyals)

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 Tawaruq 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 Tawaruq 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 Tawaruq 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 Tawaruq 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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NOTES TO THE FINANCIAL STATEMENT (continued)
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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 Tawaruq receivable

An estimate of the collectible amount of Tawaruq 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 12.

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

	2021	2020
Cash at banks	8,845,876	18,559,310

7 TAWARUQ AND OTHER RECEIVABLES

	2021	2020
Tawaruq receivables	41,610,123	2,732,632
Accrued finance income	(161,062)	-
	41,449,061	2,732,632
Less: Allowance for expected credit loss	(2,719,803)	(165,150)
Net Tawaruq receivables	38,729,258	2,567,482
Other receivables	169,435	18,605
	38,898,693	2,586,087

The average credit period on the receivables is 30 days. Historical loss experience and derives loss rates based on historical loss rates to reflect the information about current conditions and reasonable and supportable forecast of future economic conditions. The Company recognizes an allowance against expected credit loss based on ECL model considering the ageing of its overdue debtors which increases as the debtors become more overdue as historical experience indicates that the likelihood of amounts being recoverable decreases the more the amount is overdue.

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.

Age of net Tawaruq receivables

	2021	2020
0 to 90 days	35,423,021	2,537,967
91 to 360 days	3,306,237	29,515
	38,729,258	2,567,482

Movement on the allowance for doubtful debts

	2021	2020
Opening balance	165,150	38,102
Write-off for the year	(330,827)	-
Charged for the year	2,885,480	127,048
Closing balance	2,719,803	165,150

In determining the recoverability of a Tawaruq receivable, the Company considers any change in the credit quality of the Tawaruq 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 Tawaruq receivables.

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8 PROPERTY AND EQUIPMENT

	IT systems and servers	Assets under construction	Total
Cost			
At 1 January 2021	7,578,274	50,000	7,628,274
Additions	386,303	168,125	554,428
Transfer	50,000	(50,000)	-
At 31 December 2021	<u>8,014,577</u>	<u>168,125</u>	<u>8,182,702</u>
Accumulated depreciation			
At 1 January 2021	1,512,459	-	1,512,459
Charged during the year	1,606,438	-	1,606,438
At 31 December 2021	<u>3,118,897</u>	<u>-</u>	<u>3,118,897</u>
Net book value as at 31 December 2021	<u>4,895,680</u>	<u>168,125</u>	<u>5,063,805</u>

	IT systems and servers	Assets under construction	Total
Cost			
At 1 January 2020	-	-	-
Additions	7,578,274	50,000	7,628,274
At 31 December 2020	<u>7,578,274</u>	<u>50,000</u>	<u>7,628,274</u>
Accumulated depreciation			
At 1 January 2020	-	-	-
Charged during the year	1,512,459	-	1,512,459
At 31 December 2020	<u>1,512,459</u>	<u>-</u>	<u>1,512,459</u>
Net book value as at 31 December 2020	<u>6,065,815</u>	<u>50,000</u>	<u>6,115,815</u>

9 INTANGIBLE ASSETS

	2021	2020
Cost		
At 1 January	187,500	-
Additions	6,536	187,500
At 31 December	<u>194,036</u>	<u>187,500</u>
Depreciation		
At 1 January	34,375	-
Charged during the year	45,763	34,375
At 31 December	<u>80,138</u>	<u>34,375</u>
Net book value	<u>113,898</u>	<u>153,125</u>

10 ACCRUALS AND OTHER PAYABLES

	2021	2020
Accruals	3,546,289	183,175
Zakat	211,026	-
Others	152,252	-
	<u>3,909,567</u>	<u>183,175</u>

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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>2021</u>	<u>2020</u>
Mobile Telecommunications Company Saudi Arabia	Parent Company	Expenses	(22,248,505)	(8,447,167)
		Assets	560,964	7,815,774

Due to related party balances:

	<u>2021</u>	<u>2020</u>
Mobile Telecommunications Company Saudi Arabia	13,020,474	17,038,857

12 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

	<u>2021</u>	<u>2020</u>
Opening balance	82,174	-
Current service cost	664,803	82,174
Interest cost	1,986	-
Payment	(106,919)	-
Actuarial loss	127,546	-
Closing balance	769,590	82,174

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:

	<u>2021</u>	<u>2020</u>
Attrition rates	10% to 13%	10% to 13%
Salary increases	3%	3%
Discount rate	4%	3.65%

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

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.

	2021	2020
Base Scenario	769,590	82,174
Discount Rate: Increase by 1%	700,788	71,054
Discount Rate: Decrease by 1%	849,272	95,518
Salary Escalation Rate: Increase by 1%	849,272	95,468
Salary Escalation Rate: Decrease by 1%	699,539	70,890

13 SHARE CAPITAL

The Company had 5,700,000 (31 December 2020: 2,000,000) shares of SR 10 each in issue as at the reporting date.

Capital Increase

On 9 Ramadan 1442 (H), corresponding to 21 April 2021 (G), the share capital was increased by SR 37,000,000 through the issuance of 3,700,000 shares and was paid in cash. The Company amended its Articles of Association and its Commercial Registration.

14 PROVISION FOR ZAKAT

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 upto 31 December 2020 and obtained the certificates while the final assessments have not been received. However, the Company will file its first Zakat return for the year ended 31 December 2021 by itself.

15 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.

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15 FINANCIAL INSTRUMENTS (continued)

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 Tawaruq receivables. Details of how credit risk relating to Tawaruq 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 Tawaruq 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.

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15 FINANCIAL INSTRUMENTS (continued)

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.

For Tawaruq 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 Tawaruq receivables	2021		
	Estimated total gross carrying amount at default	Expected credit loss rate %	Lifetime ECL
Not due /< 30 days	31,899,697	0.18%	55,869
31 – 60 days	2,645,164	5.71%	151,050
61 – 90 days	1,367,195	8.85%	121,055
91 – 180 days	2,956,860	38.57%	1,140,559
> 181 days	2,741,207	45.65%	1,251,270
	41,610,123	6.54%	2,719,803
Aging brackets of Tawaruq receivables	2020		
	Estimated total gross carrying amount at default	Expected credit loss rate %	Lifetime ECL
Not due /< 30 days	2,170,724	0.97%	20,059
31 – 60 days	330,302	1.45%	4,778
61 – 90 days	65,030	5%	3,252
91 – 180 days	59,030	50%	29,515
> 181 days	107,546	100%	107,546
	2,732,632		165,150

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15 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 2021</i>						
Due to related parties	<u>13,020,474</u>	-	-	-	<u>13,020,474</u>	<u>13,020,474</u>
	<u>13,020,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,020,474</u>	<u>13,020,474</u>
<i>At 31 December 2020</i>						
Due to related parties	<u>17,038,857</u>	-	-	-	<u>17,038,857</u>	<u>17,038,857</u>
	<u>17,038,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,038,857</u>	<u>17,038,857</u>

15.1 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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15 FINANCIAL INSTRUMENTS (continued)

15.2 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
- Tawaruq and other receivables
- Accruals and other payables

	<u>2021</u>	<u>2020</u>
Financial Assets		
Financial assets at amortized cost:		
Cash at bank	8,845,876	18,559,310
Tawaruq receivables	38,729,258	2,567,482
Total financial assets at amortized cost	47,575,134	21,126,792
Total financial assets	47,575,134	21,126,792
FINANCIAL LIABILITIES		
Financial liabilities at amortized cost:		
Due to related parties	13,020,474	17,038,857
Total Financial liabilities at amortized cost:	13,020,474	17,038,857
Total financial liabilities	13,020,474	17,038,857

16 CONTINGENCIES AND COMMITMENTS

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

17 IMPACT OF COVID-19

The outbreak of the novel Coronavirus (COVID-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities. The Company is continually monitoring its impact, while working closely with the local regulatory authorities, to manage the potential business disruption of the COVID-19 outbreak.

In light of COVID-19, the Company has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the financial statement. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the financial statements.

Impairment of non-financial assets

The Company has considered any impairment indicators arising and any significant uncertainties around its property and equipment and concluded there is no material impact due to COVID-19.

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17 IMPACT OF COVID-19 (continued)

Expected Credit Losses (“ECL”) and impairment of financial assets

The Company has applied management overlays on the existing ECL models by applying probability weightage scenarios on the relevant macroeconomic factors relative to the economic climate of the respective market in which it operates. The Company has also assessed the exposures in potentially affected sectors for any indicators of impairment and concluded there is no material impact on account of COVID-19.

Commitments and contingent liabilities

The Company has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among customers and suppliers, with a view of potential increase in contingent liabilities and commitments and no issues were noted.

Going concern

The Company has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company’s future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Company has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged. As a result, these financial statements have been appropriately prepared on a going concern basis.

18 APPROVED FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 10th of March 2022.
