

TAAJEER FINANCE LEASE COMPANY
(A Saudi Closed Joint Stock Company)
UNAUDITED INTERIM CONDENSED FINANCIAL
STATEMENTS AND REVIEW REPORT
FOR THE THREE-MONTH AND NINE-MONTH PERIODS
ENDED 30 SEPTEMBER 2020

TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT**To the shareholders****Taajeer Finance Lease Company**

(a Saudi Closed Joint Stock Company)

Introduction


We have reviewed the accompanying interim condensed statement of financial position of Taajeer Finance Lease Company (a Saudi Closed Joint Stock Company) (the "Company") as at 30 September 2020, the related interim condensed statement of comprehensive income for the three-month and nine-month periods then ended, and the related interim condensed statements of changes in shareholders' equity and cash flows for the nine-month period then ended and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with IAS 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' as endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of the persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISAs) as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

BAKER TILLY MKM & CO.
Certified Public Accountants
Ayad Obeyan Alseraihi
License No. 405Jeddah on 27 October 2020
Corresponding to 10 Rabi Al Awwal 1442H

TAAJEER FINANCE LEASE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 SEPTEMBER 2020

	Note	As At	
		30 September 2020 (Unaudited) SR	31 December 2019 (Audited) SR
ASSETS			
Cash and Bank balances	5	99,023,560	96,029,812
Prepayments and other receivables		24,787,836	11,965,828
Vehicles available for sale		3,094,170	887,923
Net investment in finance lease	6	508,774,724	422,668,096
Net deferred consideration receivable	6	22,138,584	20,362,584
Investment classified at FVTOCI		892,850	892,850
Property and equipment		3,912,390	3,891,750
Intangibles		3,207,759	3,881,351
TOTAL ASSETS		665,831,873	560,580,194
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Trade payables	7	69,466,437	93,319,571
Due to related parties	10	19,263,716	28,560,472
Zakat payable	8	3,477,776	4,212,709
Net servicing liability	6	16,485,206	15,502,579
Long-term loans	9	328,073,552	202,646,815
Unearned Government grant		1,053,109	-
Employee termination benefits		2,020,217	1,559,794
TOTAL LIABILITIES		439,840,013	345,801,940
SHAREHOLDERS' EQUITY			
Share capital		200,000,000	200,000,000
Statutory reserve		3,883,191	3,883,191
Retained earnings		22,108,669	10,895,063
TOTAL SHAREHOLDERS' EQUITY		225,991,860	214,778,254
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		665,831,873	560,580,194

The attached notes form an integral part of these unaudited interim condensed financial statements

TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2020**

	Note	<i>For the three-month period ended</i>		<i>For the nine-month period ended</i>	
		<i>30 September 2020</i>	<i>30 September 2019</i>	<i>30 September 2020</i>	<i>30 September 2019</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Finance income		12,763,780	9,668,672	35,452,973	27,719,491
Finance costs		(2,322,880)	(2,671,422)	(7,783,221)	(7,046,667)
Net finance income		10,440,900	6,997,250	27,669,752	20,672,824
Net gain on securitization of receivables	6	17,257,574	14,006,304	22,381,047	35,328,073
Net change in deferred consideration receivable	6	(1,661,861)	271,699	(1,973,666)	652,017
Net change in net servicing liability	6	2,780,389	1,412,038	7,088,033	3,199,637
Government grant income		439,219	438,620	1,462,754	695,924
Other operating income	11	1,234,779	2,023,215	14,434,802	11,779,125
Selling and marketing expenses		(2,747,876)	(2,852,914)	(11,385,903)	(8,425,882)
General and administrative expenses		(7,641,419)	(5,993,273)	(19,125,995)	(17,423,427)
(Impairment) / reversal of net investment in finance lease	6	4,430,346	(3,119,933)	(19,493,395)	(5,570,589)
Other operating expenses		(2,611,627)	(256,700)	(6,235,144)	(734,601)
Net operating profit		21,920,424	12,926,306	14,822,285	40,173,101
Zakat	8	(1,908,386)	(1,292,630)	(3,608,679)	(4,509,684)
Profit for the period		20,012,038	11,633,676	11,213,606	35,663,417
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		20,012,038	11,633,676	11,213,606	35,663,417

The attached notes form an integral part of these unaudited interim condensed financial statements

TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

**INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020**

	<i>Share capital</i>	<i>Statutory</i>	<i>Retained</i>	
	<i>SR</i>	<i>reserve</i>	<i>earnings /</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>(Accumulated</i>	<i>SR</i>
			<i>losses)</i>	
			<i>SR</i>	<i>SR</i>
For the nine-month period				
ended 30 September 2020:				
Balance as at 31 December 2019	<u>200,000,000</u>	<u>3,883,191</u>	<u>10,895,063</u>	<u>214,778,254</u>
Profit for the period	-	-	11,213,606	11,213,606
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	11,213,606	11,213,606
As at 30 September 2020	<u>200,000,000</u>	<u>3,883,191</u>	<u>22,108,669</u>	<u>225,991,860</u>
For the nine-month period				
ended 30 September 2019:				
Balance as at 31 December 2018	<u>200,000,000</u>	<u>140,991</u>	<u>(22,626,849)</u>	<u>177,514,142</u>
Profit for the period	-	-	35,663,417	35,663,417
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	35,663,417	35,663,417
As at 30 September 2019	<u>200,000,000</u>	<u>140,991</u>	<u>13,036,568</u>	<u>213,177,559</u>

The attached notes form an integral part of these unaudited interim condensed financial statements

TAAJEER FINANCE LEASE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020

	Note	<i>For the nine-month period ended</i>	
		<i>30 September</i>	<i>30 September</i>
		<i>2020</i>	<i>2019</i>
		<i>SR</i>	<i>SR</i>
OPERATING ACTIVITIES			
Profit for the period before zakat		14,822,285	40,173,101
Adjustments for non-cash items:			
Impairment of net investment in finance lease	6	19,493,395	5,570,589
Finance costs		7,783,221	7,046,667
Depreciation and amortization		1,547,359	1,312,146
Employee termination benefits incurred		509,080	326,583
Government grant income		(1,462,754)	(695,924)
Gain on restructuring of Government loan		(775,278)	-
Net gain on securitization of receivables	6	(22,381,047)	(35,328,073)
Net change in deferred consideration receivables	6	1,973,666	(652,017)
Net change in net servicing liability	6	(7,088,033)	(3,199,637)
		<u>14,421,894</u>	<u>14,553,435</u>
Changes in working capital:			
Prepayments and other receivables		(12,822,008)	(11,464,911)
Net investment in finance lease		(78,897,982)	67,231,440
Due from related parties		-	(655,969)
Vehicles available for sale		(2,206,247)	(490,051)
Long term loan, net		128,717,878	89,587,013
Trade payables		(24,515,672)	23,741,426
Due to related parties		(9,296,756)	(45,363,613)
Cash generated from operations		<u>15,401,107</u>	<u>137,138,770</u>
Zakat paid		(4,343,612)	(140,992)
Finance cost paid		(7,120,683)	(5,895,871)
Employee termination benefits paid		(48,657)	(128,265)
Net cash flows generated from operating activities		<u>3,888,155</u>	<u>130,973,642</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(894,407)	(2,438,224)
Purchase of intangibles		-	(1,078,053)
Net cash flows used in investing activities		<u>(894,407)</u>	<u>(3,516,277)</u>
Net change in cash and cash equivalents		<u>2,993,748</u>	<u>127,457,365</u>
Cash and cash equivalents at the beginning of the period		<u>96,029,812</u>	<u>16,200,846</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u><u>99,023,560</u></u>	<u><u>143,658,211</u></u>

The attached notes form an integral part of these unaudited interim condensed financial statements

TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020

1 ORGANISATION AND ACTIVITIES

Taajeer Finance Lease Company (the "Company") is a Saudi Closed Joint Stock Company, registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030289565 issued on 17 Sha'ban 1437H (corresponding to 24 May 2016).

The Company's head office is in Jeddah. The principal activity of the Company is to engage in the following business activities in the Kingdom of Saudi Arabia:

- a) Small and Medium Enterprises (SME) Financing
- b) Finance leasing
- c) Consumer Finance Murabaha

On 29 Safar 1438H (corresponding to 29 November 2016), the Company received a license from Saudi Arabian Monetary Authority (SAMA) to undertake both finance leasing and small and medium enterprises (SME) financing in the Kingdom of Saudi Arabia under license number 46/AU/201611.

On 13 Jumada I 1441H (corresponding to 8 January 2020), the Company has obtained the approval from SAMA to add consumer financing murabaha as a new product for individuals.

The Company is a subsidiary of Al Ahdaf Al Mumaizah Company Limited (the "Parent Company"). The ultimate parent of the Company is Taajeer Group ("Ultimate Parent"). Saudi shareholders own the Company, the Parent and the Ultimate Parent of the Company.

As at 30 September 2020, the Company operates through 6 branches (31 December 2019: 6 branches). The accompanying financial statements include the assets, liabilities and results of the Company and these branches as listed below represents:

<u>CR number</u>	<u>Location</u>
1010468134	Riyadh
4030293321	Jeddah
2252067592	Al Mubarraz
2050111740	Dammam
4031098948	Mecca
5850070587	Abha

2 BASIS OF PREPARATION

The interim condensed financial statements of the Company for the nine-month period ended 30 September 2020 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia.

The interim condensed financial statements have been prepared on a historical cost convention using the accrual basis of accounting, except for financial instruments measured at fair value and as indicated otherwise. The interim condensed financial statements are presented in Saudi Riyals which is also the functional currency of the Company and all values are rounded to the nearest Riyal (SR), except when otherwise indicated.

These interim condensed financial statements do not include all the information required for the annual financial statements.

The interim condensed financial statements may not be considered indicative of the expected results for the full year.

TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's interim condensed financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that were applied to the annual financial statements as of and for the year ended 31 December 2019.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the interim condensed financial statements for the period ended 30 September 2020 are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2019, except for the following changes.

Adoption of new standards, interpretations, amendments and revisions to existing standards

- Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendments to IFRS 3 Business Combinations.
- Amendments to IAS 1 and IAS 8.

The adoption of these amendments did not have an impact on the Company's interim condensed financial statements.

5 CASH AND BANK BALANCES

	<i>30 September</i> <u>2020</u> SR	<i>31 December</i> <u>2019</u> SR
Cash on hand	420,329	-
Bank balances	<u>98,603,231</u>	<u>96,029,812</u>
	<u>99,023,560</u>	<u>96,029,812</u>

6 NET INVESTMENT IN FINANCE LEASE

	<i>30 September</i> <u>2020</u> SR	<i>31 December</i> <u>2019</u> SR
Gross investment in finance lease	778,353,064	645,689,690
Less: unearned finance income	<u>(221,873,553)</u>	<u>(193,771,232)</u>
	556,479,511	451,918,458
Less: allowance for expected credit losses	<u>(47,704,787)</u>	<u>(29,250,362)</u>
Net investment in finance lease	<u>508,774,724</u>	<u>422,668,096</u>

During the nine-month period ended 30 September 2020, the Company has reassessed its assumptions and estimates regarding macroeconomic inputs such as GDP based on the current economic situation and therefore the Company has recalculated the effect on probabilities of default (PDs) to the individual pools of finance lease receivables.

TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020

6 NET INVESTMENT IN FINANCE LEASE (Continued)

6.1 Movement in allowance for expected credit losses

	<i>For the nine-month period ended 30 September 2020</i>	<i>For the year ended 31 December 2019</i>
	<i>SR</i>	<i>SR</i>
At the beginning of the year	29,250,362	22,831,624
Allowance related to derecognized receivables	(1,038,970)	(4,334,901)
Provided during the period / year	19,493,395	10,753,639
	47,704,787	29,250,362

6.2 Ageing of gross finance lease receivables

	<i>30 September 2020</i>	<i>31 December 2019</i>
	<i>SR</i>	<i>SR</i>
Not due	748,597,275	621,766,396
1 - 3 months over due	7,312,673	6,369,264
4 - 6 months over due	6,157,629	5,496,270
7 - 12 months over due	6,239,931	6,367,117
Over 12 months over due	10,045,556	5,690,643
	778,353,064	645,689,690

6.3 Portfolio analysis

The Company finances the sale of assets to its customers through Ijarah and Murabaha. Under Ijarah, the legal ownership of the assets is retained by the Company while under Murabaha legal ownership is transferred to the customer. The net investment portfolio of the Company is as follows:

	<i>30 September 2020</i>			
	<i>Gross investment</i>	<i>Unearned finance income</i>	<i>Allowance for expected credit loss</i>	<i>Net investment</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Ijarah	770,665,881	(220,262,564)	(46,781,756)	503,621,561
Murabaha	7,687,183	(1,610,989)	(923,031)	5,153,163
	778,353,064	(221,873,553)	(47,704,787)	508,774,724
	<i>31 December 2019</i>			
	<i>Gross investment</i>	<i>Unearned finance income</i>	<i>Allowance for expected credit loss</i>	<i>Net investment</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Ijarah	638,554,122	(192,815,031)	(28,600,443)	417,138,648
Murabaha	7,135,568	(956,201)	(649,919)	5,529,448
	645,689,690	(193,771,232)	(29,250,362)	422,668,096

TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020**

6 NET INVESTMENT IN FINANCE LEASE (continued)

6.4 Maturity analysis of net investment in finance lease is as follows:

	<i>30 September 2020</i>			
	<i>Within 1 year</i>	<i>Non-current</i>		<i>Total</i>
		<i>1 to 3 years</i>	<i>Over 3 year</i>	
		<i>SR</i>	<i>SR</i>	
Gross investment in finance lease	277,006,227	323,875,281	177,471,556	778,353,064
Less: unearned finance income	(86,465,474)	(100,595,462)	(34,812,618)	(221,873,553)
Net investment in finance lease	<u>190,540,753</u>	<u>223,279,819</u>	<u>142,658,938</u>	<u>556,479,511</u>
	<i>31 December 2019</i>			
	<i>Within 1 year</i>	<i>Non-current</i>		<i>Total</i>
<i>1 to 3 years</i>		<i>Over 3 year</i>		
<i>SR</i>		<i>SR</i>	<i>SR</i>	
Gross investment in finance lease	205,648,091	302,477,032	137,564,567	645,689,690
Less: unearned finance income	(72,352,559)	(92,634,249)	(28,784,424)	(193,771,232)
Net investment in finance lease	<u>133,295,532</u>	<u>209,842,783</u>	<u>108,780,143</u>	<u>451,918,458</u>

6.5 Securitized receivables

The Company has entered into purchase and service agreements (the 'Agreements') with local banks in respect of securitization of certain finance leases (the 'Receivables').

Under the terms of the purchase and service agreements, the Company first sells the eligible receivables to banks and then manages them on behalf of the banks as an agent for a monthly fee as per the terms of the Agreements.

During the nine-months period ended 30 September 2020, the Company sold SR 89.9 million (30 September 2019: SR 173.78 million) of its net receivables and the total amount received from the bank in respect of such sale was SR 120.43 million (30 September 2019: SR 202.41). Upon sale, the Company derecognises the Receivables from its books and recognises the difference as either gain or loss on derecognition of receivables.

The following are the significant terms of the Agreement:

- a) The Company continues to manage the sold receivables on behalf of the Banks for a fee (agency fee). The total settlement of net receivables to be made to banks (as per the agreed cash flows), as an agent under purchase and agency arrangements amount to SR 390.2 million as at 30 September 2020 (31 December 2019: SR 321.7 million). The maturity analysis of derecognized net receivables is as follows:

	<i>Within 1 year</i>	<i>1 to 3 years</i>	<i>Over 3 year</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<i>30 September 2020</i>	<u>43,006,138</u>	<u>144,364,091</u>	<u>62,625,643</u>	<u>249,995,872</u>
<i>31 December 2019</i>	<u>39,271,374</u>	<u>91,122,538</u>	<u>74,228,999</u>	<u>204,622,911</u>

TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020****6 NET INVESTMENT IN FINANCE LEASE (continued)****6.5 Securitized receivables**

- b) The agreements are supported by a “cash flow statement” which stipulates the principal amount and the monthly receivables falling due. Under the terms of the agreements, the Company, in the capacity of an agent, settles to the bank a monthly amount based on the cash flow statement. The amount of the next month’s repayment is recognized as a liability and included in ‘payable under purchase and agency agreement’ (see note 7).
- c) A reserve is to be maintained out of the monthly receipts, which is to be distributed at the end of the term of the agreement after deducting the actual defaults and discounts due to premature terminations. The balance in the reserve account after deducting the actual defaults and discounts shall be retained by the Company as deferred consideration on sale of receivables. Any shortfall in the reserve account is to be borne by the Bank.

During the nine-month period ended 30 September 2020, the Company recognized a net gain amounting to SR 22.38 million (30 September 2019: SR 35.3 million) on derecognition of receivables sold to a bank under the Agreement.

The present value of deferred consideration receivable is calculated by deducting the present value of expected defaults and discounts to be incurred over the life of the agreement from the present value of reserve amount to be received per the cash flow statement. This represents the net deferred consideration receivable by the Company under the Agreements calculated as follows:

	<i>30 September 2020 (Unaudited) SR</i>	<i>31 December 2019 (Audited) SR</i>
Present value of deferred consideration receivable	32,249,802	25,974,782
Less: allowance for expected defaults and early settlement	(10,111,218)	(5,612,198)
Net deferred consideration receivable	<u>22,138,584</u>	<u>20,362,584</u>

The Company’s net servicing assets and related liabilities are calculated separately for each agreement by calculating the present value of servicing assets, as per the terms of the agreement and by estimating the present value of servicing liability and related provisions. The net amount is classified as a net servicing asset or a net servicing liability on the statement of financial position. This has been presented as follows:

	<i>30 September 2020 (Unaudited) SR</i>	<i>31 December 2019 (Audited) SR</i>
Present value of servicing asset	13,316,037	9,714,404
Less: Present value of servicing liability	(29,801,243)	(25,216,983)
Net servicing liability	<u>(16,485,206)</u>	<u>(15,502,579)</u>

The present value of net deferred consideration receivable and the present value of net servicing liability is calculated by using a discount rate of 4.84 to 7.58% (31 December 2019: 6.09% to 7.58%).

TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020****7 TRADE PAYABLES**

	<i>30 September</i> <i>2020</i>	<i>31 December</i> <i>2019</i>
	<i>SR</i>	<i>SR</i>
Payables to suppliers of vehicles	24,454,765	60,844,412
Payable under purchase and agency agreements (Note 6)	30,990,710	20,412,594
Accrued expenses	7,205,257	6,032,509
Advances from customers	3,845,022	3,409,295
Other payables	2,970,683	2,620,761
	69,466,437	93,319,571

8 ZAKAT PAYABLE**Basis for Zakat:**

The Company is subject to the Regulations of the General Authority of Zakat and Tax (GAZT) in the Kingdom of Saudi Arabia.

Zakat charged to the statement of profit or loss:

	<i>For the nine-month period ended</i>	
	<i>30 September</i> <i>2020</i>	<i>30 September</i> <i>2019</i>
	<i>SR</i>	<i>SR</i>
Current zakat charges	3,608,679	4,509,684
	3,608,679	4,509,684

The movement in the zakat payable is as follows:

	<i>For the nine-month</i> <i>period ended</i>	
	<i>30 September</i> <i>2020</i>	<i>For the year ended</i> <i>31 December</i> <i>2019</i>
	<i>SR</i>	<i>SR</i>
At the beginning of the period / year	4,212,709	-
Charge for the period / year	3,608,679	4,705,084
Payments	(4,343,612)	(492,375)
	3,477,776	4,212,709

Status of certificates and assessments:

In accordance with the final zakat settlement agreement with the General Authority of Zakat and Tax (GAZT), the Company has settled the zakat liability and finalized all years up to 2018. The zakat return for the year 2019 is still under review by GAZT.

GAZT has raised an assessment of the Company's VAT return for the month of January 2019 claiming for additional VAT liability along with related penalty amounting to SR 1.2 million. The Company has filed an appeal against the GAZT assessment and management expect a favourable outcome.

9 LONG-TERM LOANS

The long-term loans comprise the following:

	<i>30 September</i> <i>2020</i>	<i>31 December</i> <i>2019</i>
	<i>SR</i>	<i>SR</i>
Commercial loans (see note (a) below)	286,899,608	186,177,905
Governmental loan (see note (b) below)	41,173,944	16,468,910
	328,073,552	202,646,815

TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020****9 LONG-TERM LOANS (continued)****a) Commercial loans**

Commercial loans were obtained from local financial institutions at commercial profit rate to finance working capital requirements.

b) Governmental loans

The Company has obtained loans at below-market rate of interest from governmental bodies under a scheme to support small and medium sized entities. The Company recognized the loan initially at its fair value using a discount factor of 5% - 5.14% and recognized an unearned government grant being the difference between the amount received and the fair value of the loan. The Company earns the government grant on its utilization of funds obtained from the governmental bodies to finance small and medium sized entities on a pro-rata basis

10 RELATED PARTY DISCLOSURES

The following table provides the total amount of material transactions that have been entered into with related parties:

Related party	Nature of transaction	<i>For the nine-month period ended</i>	
		<i>30 September 2020</i>	<i>30 September 2019</i>
		SR	SR
Ultimate parent	Purchase of Vehicles	11,210,104	-
Others	Purchase of Vehicles	90,879,450	40,810,333
	Vehicle maintenace	416,943	248,698

Due to related parties comprise the following:

	<i>30 September 2020</i>	<i>31 December 2019</i>
	SR	SR
Taajeer International Company Limited	10,580,157	25,263,631
Taajeer National Company for Maintenance and Integrated Services	282,207	2,264,701
Taajeer Group Company	8,401,352	890,333
Awaed Arabia Company	-	141,807
	19,263,716	28,560,472

Compensation of key management personnel of the Company

	<i>For the nine-month period ended</i>	
	<i>30 September 2020</i>	<i>30 September 2019</i>
	SR	SR
Short-term employee benefits	2,885,985	2,615,230
Termination benefits	524,218	252,150
Total compensation of key management personnel	3,410,203	2,867,380

TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020****11 OTHER OPERATING INCOME**

	<i>For the nine-month period ended</i>	
	<i>30 September 2020</i>	<i>30 September 2019</i>
	<i>SR</i>	<i>SR</i>
Fee income	4,454,863	3,906,014
Insurance reimbursed/(paid), net	3,967,173	5,374,567
Rebate on purchase of vehicles	4,684,957	1,222,750
Gain on restructuring of Government loan	775,278	-
Other	552,531	1,275,794
	14,434,802	11,779,125

12 COMMITMENTS AND CONTINGENCIES

As at 30 September 2020, the Company had no contingent liabilities and commitments.

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial assets consist of cash and bank balances, net investment in finance lease, investment classified as FVTOCI, net deferred consideration receivable, due from related parties and other receivables. Its financial liabilities consist of due to related parties, trade payables, long term loans and payables under purchase and agency agreement.

The fair values of the financial instruments are not materially different from their carrying amounts except for the net investment in finance leases.

14 DATE OF AUTHORIZATION

These interim condensed financial statements were authorized for issue by the Company's board of directors on 25 October 2020 corresponding to 8 Rabi Al Awwal 1442H.