

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 2021

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 2021

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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 2021, the related interim condensed statement of comprehensive income for the three-month and nine-month periods then ended, the interim condensed statements of changes in shareholders' equity and cash flows for the nine-month periods 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

Ayyad Obeyan Alseraihi
License No. 405

Jeddah on 27 October 2021
Corresponding to 21 Rabi' Al-Awwal 1443H



TAAJEER FINANCE LEASE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 SEPTEMBER 2021

	Note	As At	
		30 September	31 December
		2021	2020
		(Unaudited)	(Audited)
		SR	SR
ASSETS			
Cash and bank		93,645,926	124,411,290
Prepayments and other receivables		27,578,522	24,040,125
Net investment in finance lease	5	720,364,756	551,879,930
Net deferred consideration receivable	5	42,982,758	30,369,692
Long term deposit		19,539,999	-
Vehicles available for lease		5,175,775	3,391,971
Investment designated at FVTOCI		892,850	892,850
Property and equipment		4,678,200	4,166,437
Intangibles		2,533,672	3,074,990
TOTAL ASSETS		917,392,458	742,227,285
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Trade payables	6	164,101,406	134,462,869
Due to related parties	10	6,077,705	19,916,736
Zakat payable	7	4,506,334	4,652,343
Net servicing liability	5	19,643,779	18,679,016
Loans	8	458,075,481	323,819,359
Profit rate swap contract obligation	8	820,065	-
Employee termination benefits		2,686,426	2,482,879
TOTAL LIABILITIES		655,911,196	504,013,202
SHAREHOLDERS' EQUITY			
Share capital		200,000,000	200,000,000
Statutory reserve		6,248,729	6,248,729
Profit rate swap hedge reserve	8	(820,065)	-
Retained earnings		56,052,598	31,965,354
TOTAL SHAREHOLDERS' EQUITY		261,481,262	238,214,083
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		917,392,458	742,227,285

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 2021

	Note	<i>For the three-month period ended</i>		<i>For the nine-month period ended</i>	
		<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
		<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
		SR	SR	SR	SR
Finance income		16,649,046	12,763,780	45,240,437	35,452,973
Finance costs		(5,769,838)	(2,322,880)	(18,340,137)	(7,783,221)
Net finance income		10,879,208	10,440,900	26,900,300	27,669,752
Net gain on securitization of receivables	5	10,234,129	17,257,574	33,743,687	22,381,047
Net change in deferred consideration receivable	5	(319,685)	(1,661,861)	746,267	(1,973,666)
Net change in net servicing liability	5	4,138,552	2,780,389	11,213,657	7,088,033
Government grant income		297,844	439,219	629,087	1,462,754
Other operating income	9	8,790,452	1,234,779	21,170,915	14,434,802
Selling and marketing expenses		(4,493,890)	(2,747,876)	(14,183,605)	(11,385,903)
General and administrative expenses		(7,109,303)	(7,641,419)	(23,823,200)	(19,125,995)
Impairment of net investment in finance lease	5	(4,466,099)	4,430,346	(17,549,869)	(19,493,395)
Other operating expenses		(3,430,778)	(2,611,627)	(10,141,622)	(6,235,144)
Net operating profit		14,520,430	21,920,424	28,705,617	14,822,285
Zakat	7	(1,698,081)	(1,908,386)	(4,618,373)	(3,608,679)
Profit for the period		12,822,349	20,012,038	24,087,244	11,213,606
Other Comprehensive Income (OCI)					
<i>OCI that may be reclassified to profit or loss in subsequent years:</i>					
Change in fair value of profit rate swap	8	83,493	-	(820,065)	-
Other comprehensive gain (loss) for the period		83,493	-	(820,065)	-
Total comprehensive income for the period		12,905,842	20,012,038	23,267,179	11,213,606

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 2021**

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Cash flow hedge reserve</i>	<i>Retained earnings</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
For the nine-month period ended 30 September 2021:					
Balance as at 31 December 2020	200,000,000	6,248,729	-	31,965,354	238,214,083
Profit for the period	-	-	-	24,087,244	24,087,244
Other comprehensive loss	-	-	(820,065)	-	(820,065)
Total comprehensive income	-	-	(820,065)	24,087,244	23,267,179
As at 30 September 2021	200,000,000	6,248,729	(820,065)	56,052,598	261,481,262
For the nine-month period ended 30 September 2020:					
Balance as at 31 December 2019	200,000,000	3,883,191	-	10,895,063	214,778,254
Profit for the period	-	-	-	11,213,606	11,213,606
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	11,213,606	11,213,606
As at 30 September 2020	200,000,000	3,883,191	-	22,108,669	225,991,860

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 2021

	Note	<i>For the nine-month period ended</i>	
		<i>30 September</i>	<i>30 September</i>
		<i>2021</i>	<i>2020</i>
		SR	SR
OPERATING ACTIVITIES			
Profit for the period		24,087,244	11,213,606
Adjustments for non-cash items:			
Zakat expense	7	4,618,373	3,608,679
Impairment of net investment in finance lease	5	17,549,869	19,493,395
Finance costs		18,340,137	7,783,221
Depreciation and amortization		1,971,055	1,547,359
Employee termination benefits incurred		516,118	509,080
Government grant income		(629,087)	(1,462,754)
Gain on restructuring of loan		-	(775,278)
Net gain on securitization of receivables	5	(33,743,687)	(22,381,047)
Net change in deferred consideration receivables	5	(746,267)	1,973,666
Net change in net servicing liability	5	(11,213,657)	(7,088,033)
		<u>20,750,098</u>	<u>14,421,894</u>
Changes in working capital:			
Prepayments and other receivables		(3,538,397)	(12,822,008)
Net investment in finance lease		(151,979,387)	(78,897,982)
Vehicles available for lease		(1,783,804)	(2,206,247)
Trade payables		27,870,285	(24,515,672)
Due to related parties		(13,839,031)	(9,296,756)
Cash used in operations		<u>(122,520,236)</u>	<u>(113,316,771)</u>
Zakat Paid		(4,764,382)	(4,343,612)
Finance cost paid		(16,571,885)	(7,120,683)
Employee termination benefits paid		(312,571)	(48,657)
Net cash flows used in operating activities		<u>(144,169,074)</u>	<u>(124,829,723)</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(1,786,320)	(894,407)
Purchase of intangibles		(155,180)	-
Net cash flows used in investing activities		<u>(1,941,500)</u>	<u>(894,407)</u>
FINANCING ACTIVITIES			
Proceeds from loans		245,460,000	170,495,340
Repayments of loans		(130,114,790)	(41,777,462)
Net cash flows generated from financing activities		<u>115,345,210</u>	<u>128,717,878</u>
Net change in cash and cash equivalents		<u>(30,765,364)</u>	<u>2,993,748</u>
Cash and cash equivalents at the beginning of the period		124,411,290	96,029,812
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u><u>93,645,926</u></u>	<u><u>99,023,560</u></u>
NON-CASH TRANSACTIONS:			
Change in fair value of profit rate swap		<u>820,065</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 2021

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 based 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 the Saudi Central Bank (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 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 2021, the Company operates through 6 branches (31 December 2020: 6 branches). The accompanying Interim condensed financial statements include the assets, liabilities and results of the Company and these branches as listed below:

<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 2021 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 2021

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.

The outbreak of novel coronavirus ("COVID -19") since early 2020, its spread across mainland China and then globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization necessitated the Company's management to revisit its significant judgments in applying the Company's accounting policies and the methods of computation and the key sources of estimation applied to the annual financial statements for the year ended December 31, 2020. The Company's management, during the year ended December 31, 2020, carried out an impact assessment on the overall Company's operations and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, etc. and made certain changes to the expected credit loss model which has been updated during 2020. However, in view of the current uncertainty, given that the local as well as international health and government authorities continue to advise caution and future lockdowns have not been ruled out in entirety, it is challenging now to predict the full extent and duration of its business and economic impact. Therefore, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

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 2020.

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 2021 are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2020, except for the following changes.

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

- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current.
- Amendments to IFRS 16 - Leases for COVID-19 rent related concessions.
- Amendments to IFRS 3 - Reference to Conceptual Framework.
- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use.
- Amendments to IAS 37 - Onerous contracts: Cost of Fulfilling a contract.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform – Phase 2.

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

During 2020, Saudi Central Bank (SAMA) issued rules governing credit risk exposure classification and provisioning. These rules set out the minimum requirements on credit risk exposure classification and provisioning. These rules shall be applicable to all finance companies licensed pursuant to finance companies control law with effect from January 1, 2022. The management is in the process of assessing the potential financial impact of these rules on the financial statements of the Company in future periods.

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 2021**

5 NET INVESTMENT IN FINANCE LEASE

	<i>30 September 2021</i>	<i>31 December 2020</i>
	<i>SR</i>	<i>SR</i>
Gross investment in finance lease	1,044,238,548	812,086,492
Less: unearned finance income	<u>(270,942,298)</u>	<u>(223,354,633)</u>
	773,296,250	588,731,859
Less: allowance for expected credit losses	<u>(52,931,494)</u>	<u>(36,851,929)</u>
Net investment in finance lease	<u><u>720,364,756</u></u>	<u><u>551,879,930</u></u>

5.1 Movement in allowance for expected credit losses

	<i>For the nine- month period ended 30 September 2021</i>	<i>For the year ended 31 December 2020</i>
	<i>SR</i>	<i>SR</i>
At the beginning of the period / year	36,851,929	29,250,362
Write offs	-	(9,543,287)
Allowance related to derecognized receivables	<u>(1,470,304)</u>	<u>(2,162,626)</u>
Provided during the period / year	<u>17,549,869</u>	<u>19,307,480</u>
	<u><u>52,931,494</u></u>	<u><u>36,851,929</u></u>

5.2 Ageing of gross finance lease receivables

	<i>30 September 2021</i>	<i>31 December 2020</i>
	<i>SR</i>	<i>SR</i>
Not due	995,234,444	789,899,386
1 - 3 months over due	15,425,915	11,122,996
4 - 6 months over due	11,223,195	4,877,425
7 - 12 months over due	10,625,718	6,072,763
Over 12 months over due	<u>11,729,276</u>	<u>113,922</u>
	<u><u>1,044,238,548</u></u>	<u><u>812,086,492</u></u>

5.3 Portfolio analysis

The Company finances the sale of assets to its customers through Ijarah and Murabaha. Under Ijarah, the legal ownership of the financed asset is retained by the Company while under Murabaha legal ownership is transferred to the customer. The net investment portfolio of the Company as of 30 September 2021 and 31 December 2020 is as follows:

	<i>30 September 2021</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	1,019,156,603	(267,167,761)	(47,283,240)	704,705,602
Murabaha	<u>25,081,945</u>	<u>(3,774,537)</u>	<u>(5,648,254)</u>	<u>15,659,154</u>
	<u><u>1,044,238,548</u></u>	<u><u>(270,942,298)</u></u>	<u><u>(52,931,494)</u></u>	<u><u>720,364,756</u></u>

TAAJEER FINANCE LEASE COMPANY

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**

5 NET INVESTMENT IN FINANCE LEASE (continued)

5.3 Portfolio analysis (continued)

	<i>31 December 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	790,850,088	(220,391,383)	(36,376,923)	534,081,782
Murabaha	21,236,404	(2,963,250)	(475,006)	17,798,148
	<u>812,086,492</u>	<u>(223,354,633)</u>	<u>(36,851,929)</u>	<u>551,879,930</u>

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

	<i>30 September 2021</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>	<i>SR</i>
Gross investment in finance lease	395,033,639	331,621,925	317,582,984	1,044,238,548
Less: unearned finance income	(104,629,430)	(116,507,345)	(49,805,523)	(270,942,298)
Net investment in finance lease	<u>290,404,209</u>	<u>215,114,580</u>	<u>267,777,461</u>	<u>773,296,250</u>

	<i>31 December 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>	<i>SR</i>	<i>SR</i>
Gross investment in finance lease	287,326,903	305,286,042	219,473,547	812,086,492
Less: unearned finance income	(88,981,980)	(98,431,218)	(35,941,435)	(223,354,633)
Net investment in finance lease	<u>198,344,923</u>	<u>206,854,824</u>	<u>183,532,112</u>	<u>588,731,859</u>

5.5 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 2021, the Company sold SR 140.93 million (30 September 2020: SR 89.9 million) of its net receivables and the total amount received from the banks in respect of such sale was SR 187.76 million (30 September 2020: SR 120.43 million). 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 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 6).

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 2021****5 NET INVESTMENT IN FINANCE LEASE (continued)****5.5 Securitized receivables (continued)**

- b) A reserve is maintained, 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-months period ended 30 September 2021, the Company recognized a net gain amounting to SR 33.74 million (30 September 2020: SR 22.38 million) on derecognition of receivables sold to the banks 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 2021</i>	<i>31 December 2020</i>
	<i>SR</i>	<i>SR</i>
Present value of deferred consideration receivable	55,141,474	39,591,683
Less: allowance for expected defaults	<u>(12,158,716)</u>	<u>(9,221,991)</u>
Net deferred consideration receivable	<u><u>42,982,758</u></u>	<u><u>30,369,692</u></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 2021</i>	<i>31 December 2020</i>
	<i>SR</i>	<i>SR</i>
Present value of servicing asset	18,542,275	14,789,769
Less: Present value of servicing liability	<u>(38,186,054)</u>	<u>(33,468,785)</u>
Net servicing liability	<u><u>(19,643,779)</u></u>	<u><u>(18,679,016)</u></u>

The present value of net deferred consideration receivable and the present value of net servicing liability is calculated by using a discount rate ranging from 4.95% to 7.58% (2020: 4.84% to 7.58%).

6 TRADE PAYABLES

	<i>30 September 2021</i>	<i>31 December 2020</i>
	<i>SR</i>	<i>SR</i>
Payables to suppliers of vehicles	68,515,869	66,336,484
Payable under purchase and agency agreement (Note 5)	67,209,437	48,294,455
Accrued expenses	7,189,200	8,497,045
Advance from customers	7,876,991	4,832,335
Other payables	13,309,909	6,502,550
	<u><u>164,101,406</u></u>	<u><u>134,462,869</u></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 2021****7 ZAKAT PAYABLE****Basis for Zakat:**

The Company is subject to the Regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia.

Zakat charged to the statement of comprehensive income:

	<i>For the nine-month period ended</i>	
	<i>30 September 2021</i>	<i>30 September 2020</i>
	<i>SR</i>	<i>SR</i>
Current zakat charges	4,618,373	3,608,679
	4,618,373	3,608,679

The movement in the zakat payable is as follows:

	<i>For the nine- month period ended 30 September 2021</i>	<i>For the year ended 31 December 2020</i>
	<i>SR</i>	<i>SR</i>
At the beginning of the period / year	4,652,343	4,212,709
Charge for the period / year	4,618,373	4,783,246
Payments	(4,764,382)	(4,343,612)
	4,506,334	4,652,343

Status of certificates and assessments:

In accordance with the final zakat settlement agreement with the Zakat, Tax and Customs Authority (ZATCA), Taajeer Finance has settled the zakat liability agreed and finalized the years up to 2018. The zakat return for the years 2019 and 2020 is still under review by ZATCA.

8 LOANS

The long-term loans comprise the following:

	<i>30 September 2021</i>	<i>31 December 2020</i>
	<i>SR</i>	<i>SR</i>
Commercial loans (see note (a) below)	365,803,875	276,073,508
Governmental loans (see note (b) below)	56,271,606	47,745,851
Loan from other financial institution (see note (c) below)	36,000,000	-
	458,075,481	323,819,359

a) Commercial loans

Commercial loans were obtained from local financial institutions to finance working capital requirements. These loans carry commercial profit rate. The loans are guaranteed with corporate guarantees and assignment of net investments in finance lease.

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 2021****8 LOANS (continued)****b) Governmental loan**

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 3.25% - 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.

c) Loan from other financial institution

The Company has obtained loan from other financial institution to finance working capital requirements. The loan is guaranteed with corporate guarantees and assignment of net investments in finance lease.

Profit Rate Swaps

The Company has entered into a profit rate swap contract (the "Contract") with a local bank to manage exposure to profit rate fluctuations for a nominal amount that effectively approximates the amount of long-term loan.

The Company has accounted for the contract as an effective cash flow hedge. Accordingly, the Company recorded the decrease in the fair value of the contract through other comprehensive income, and the corresponding liability was recorded in the statement of financial position.

9 OTHER OPERATING INCOME

	<i>For the nine-month period ended</i>	
	<i>30 September 2021</i>	<i>30 September 2020</i>
	<i>SR</i>	<i>SR</i>
Administrative fee income	4,201,509	4,454,863
Insurance reimbursed/(paid), net	88,126	3,967,173
Rebate on purchase of vehicles	15,123,573	4,684,957
Gain on restructuring of loan	-	775,278
Other	1,757,707	552,531
	21,170,915	14,434,802

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 2021</i>	<i>30 September 2020</i>
		<i>SR</i>	<i>SR</i>
Ultimate parent	Purchase of Vehicles	-	11,210,104
Sister companies	Purchase of Vehicles	141,915,854	90,879,450
	Vehicle maintenance	289,268	416,943
	Debt collection Services	1,678,575	-
Other	Loan from a related party	36,000,000	-
	Interest on Loan from a related party	1,875,000	-

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 2021****10 RELATED PARTY DISCLOSURES (continued)**

Due to related parties comprise of the following:

	<i>30 September 2021</i>	<i>31 December 2020</i>
	<i>SR</i>	<i>SR</i>
Taajeer International Company Limited	5,788,437	7,993,428
Taajeer National Company for Maintenance and Integrated Services	289,268	531,007
Taajeer Group	-	11,060,968
Awaed Arabia	-	331,333
	6,077,705	19,916,736

Loan from a related party comprise of the following:

	<i>30 September 2021</i>	<i>31 December 2020</i>
	<i>SR</i>	<i>SR</i>
Al Awwal Capital (see note (a) below)	36,000,000	-

a) The loan was obtained from Al Awwal Capital (see note 8).

Compensation of key management personnel of the Company

	<i>For the nine-month period ended</i>	
	<i>30 September 2021</i>	<i>30 September 2020</i>
	<i>SR</i>	<i>SR</i>
Short term employee benefits	3,511,646	2,885,985
Termination benefits	642,012	524,218
Total compensation of key management personnel	4,153,658	3,410,203

11 COMMITMENTS AND CONTINGENCIES

As at 30 September 2021, the Company had no contingent liabilities and commitments.

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial assets consist of cash and bank balances, net investment in finance lease, investment designated at 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.

13 DATE OF AUTHORIZATION

These interim condensed financial statements were authorized for issue by the Company's board of directors on 21 Rabi' al-Awwal 1443H corresponding to 27 October 2021.