

Directors' Report For the year ended 31st December 2018

The Board of Directors of Taajeer Finance Lease Company (the "Company") take the pleasure in presenting the second annual report with audited financial statements of the Company for the year ended 31st December 2018.

Introduction

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 lease for Retail and corporate small & medium companies

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.

2018 is the second operating commercial fiscal period of the Company.

Geographical Concentration

The Company operates within the Kingdom of Saudi Arabia through its head office in Jeddah and seven branches located in Riyadh, Dammam, Qatif, Al-Ahsa, Makkah, Jeddah and Abha. The Company has obtained license from SAMA for these branches. To provide quick and quality services to the customers, the Company has thirty point of sales working stations and deployed salesmen at business partners' showroom across all main and remote areas such as Makkah, Taif, Al-Baha, Abha, Jizan, Dammam, Jubail, Qatif, Al-Ahsa, Jeddah, Yanbu, Madina, Buraidah and Riyadh.

Business Segments

The Company is offering flexible products all compatible with Islamic Shari'ah to individuals and SME customers for both Private & Public Sectors within Kingdom of Saudi Arabia. Products offered by the Company mainly include passenger vehicle and commercial & light commercial vehicle.

The Company finances the sale of vehicles to its customers through finance leases (Lease-to-Own) and instalment (Murabaha) sales. Under finance lease, the legal ownership of the vehicle is retained by the Company while under instalment sales legal ownership is transferred to the customer.

The target segment broadly covered by the Company Retail and Corporate includes trading, manufacturing, construction, contracting, hospitality, aviation, telecommunication and transport. The Company has established strategic partnerships with many sole distributors and local resellers to cater customers need (Japanese, Chinese, Korean, American, European brands).

Financial Reporting Basis and Standards

- i) Financial statements have been prepared under the historical cost convention using the accrual basis of accounting. The financial statements are prepared under the historical cost convention and have been presented in Saudi Riyal, which is the functional and presentation currency of the Company.
- ii) The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.
- iii) Financial statements have been prepared in compliance with the provisions of Companies' Law in the Kingdom of Saudi Arabia and Company's By-laws. Also financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as modified by the Saudi Arabian Monetary Authority (SAMA) for accounting of zakat and income tax, which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" as these relate to zakat and income tax.

2018 Business Overview

The Company has made Net Profit of SR 1,409,916 for the year ended 31st December 2018. Below table summarizing key business outlook for the year ended 31st December 2018:

Total Assets	459,969,482
Total Liabilities	282,455,339
Share Capital	200,000,000
Accumulated Losses	22,626,849
Gross Financed Amount	423,138,118
Net Financed Amount	272,302,026
Net Outstanding Receivables	421,877,947
Business Segmentation as % of Net Outstanding Receivables	98% Lease to Own 2% Installment <hr/> 90% Retail 10% SMEs <hr/> 94% Saudi 6% Non-Saudi <hr/> 49% Public 51% Private
Capital Adequacy Leverage [Net investment in finance lease divided by shareholders' equity]	2.38 : 1 times

C. N.
A. N.

Shareholders Structure

The share capital of the Company is divided into **20,000,000** shares of SR 10 each. As at 31 December, 2018 the share capital is owned as follows:

	No. of shares	Amount
Taajeer Global Company Limited	200,000	2,000,000
Taajeer Gulf Company Limited	200,000	2,000,000
Taajeer International Company Limited	200,000	2,000,000
Taajeer National Company for Auto Maintenance and Integrated Service Limited	200,000	2,000,000
Al Ahdaf Al Mumaizah Company Limited	19,200,000	192,000,000
Total	20,000,000	200,000,000

Zakat

The Company is subject to the Regulations of the General Authority of Zakat and Tax (GAZT) in the Kingdom of Saudi Arabia. According to the new Zakat Regulations, Holding Companies and their fully owned subsidiaries (with direct / indirect legal 100% ownership) are required to submit a consolidated declaration with GAZT through ERAD system and settle Zakat obligations on consolidated basis. Accordingly, no provision for zakat has been made in these financial statements of the Company and any Zakat liability / settlement of the Company is being considered in the books of Taajeer Group.

On 05/02/2019 (corresponding to 30/05/1440H), the Company received a settlement letter from the GAZT to comply with the directives provided by Royal Decree No. M/26 dated 20/3/1440H (28 November 2018) and the Minister of Finance's Resolution No. (1260) dated 5/4/1440H (12 December 2018) in order to settle the zakat liability for the year 2016 and 2017. The Company is in the process of reviewing the terms of the settlement letter because the Company's Zakat is on combined basis with the Taajeer Group. Accordingly, this settlement letter is not applicable to the Company; therefore, no provision has been recorded in the financial statements for the year 2018.

Corporate Governance

The Company's Board of Directors (BOD), supported by its related committees (Credit and Risk Committee, Executive Committee, Nomination & Remuneration Committee and Audit Committee) oversees the Company's strategy, risk management, reporting, policies & procedures, and internal control system.

The Company's board includes a number of pioneering businessmen and professional experts in trade and economics, whose achievements not only reflect on the remarkable success and development that the Company has achieved, based on highest quality standards. These achievements have earned them respect for their vision, and their true determination in supporting the development of society and the country.

S.A.
A.N.

Board of Directors

Name	Title	First 20/02/2018	Second 14/05/2018	Third 25/09/2018	Fourth 29/10/2018	Fifth 29/11/2018
Dr. Saleh Jameel Saleh Malaikah	Chairman	✓	✓	✓	✓	✓
Mr. Rashid Abdullah Al-Swaiket	Deputy Chairman	✓	✓	✓	✓	✓
Mr. Omar Mohammed Hindi	Board Member	✓	✓	✓	✓	✓
Mr. Abdulhameed Muhiddin Nazer	Board Member	✓	✓	✓	✓	✓
Mr. Farooq Fuad Gholam	Board Member	✓	✓	✓	✓	✓
Mr. Turki Badeeb	Board Member	✓	✓	✓	✓	✓
Mr. Faisal Malaikah	Board Member	✓	✓	✓	✓	✓

Executive Committee

Name	Title	First 20/02/2018	Second 14/05/2018	Third 24/09/2018	Fourth 26/11/2018
Dr. Saleh Jameel Saleh Malaikah	Chairman	✓	✓	✓	✓
Mr. Rashid Abdullah Al-Swaiket	Member	✓	✓	✓	✓
Mr. Omar Mohammed Hindi	Member	✓	✓	X	✓
Mr. Abbas Mohammed Al-Nahdi	Member	✓	✓	✓	✓

Credit and Risk Committee

Name	Title	First 06/05/2018	Second 24/09/2018	Third 29/10/2018	Fourth 04/02/2019
Dr. Saleh Jameel Saleh Malaikah	Chairman	✓	✓	✓	✓
Mr. Omar Mohammed Hindi	Member	✓	✓	✓	✓
Mr. Farooq Fuad Gholam	Member	✓	✓	✓	✓
Mr. Turki Badeeb	Member	✓	✓	✓	✓

Internal Audit Committee

Name	Title	First 20/02/2018	Second 25/04/2018	Third 06/08/2018	Fourth 29/10/2018
Mr. Abdulhameed Muhiddin Nazer	Chairman	✓	✓	✓	✓
Dr. Nadia Baeshen	Member	✓	✓	✓	✓
Mr. Walid Temairik	Member	✓	✓	✓	✓

The Committee consists of three non-executive directors and independent members, is established to institutionalize and improve the audit process and control environment. The Committee assists the Board to ensure integrity of periodic Financial Statements and effectiveness of an independent Internal Audit function, system of internal controls, and appointment of External Auditors.

Nominations and Remuneration Committee

Name	Title	First 20/02/2018	Second 29/10/2018
Dr. Saleh Jameel Saleh Malaikah	Chairman	✓	✓
Dr. Rashid Abdullah Al-Swaiket	Member	✓	✓
Mr. Faisal Malaikah	Member	✓	✓

Compliance, Anti-Money Laundering & Counter Terrorism Financing

The Board and Management believe that the existence of Compliance and Anti-Money Laundering & Counter Terrorism Financing functions are an integral part of sound management framework, therefore, has established a function that identifies and assesses the compliance risk, monitors and reports non-compliance issues. It mainly focuses consolidating relations with regulatory authorities, establishing mechanisms and frameworks to ensure prevention of crimes and safeguard professional values and practices.

Risk Management Framework

Effectiveness of Internal Control System

Management is responsible for the appropriate design and implementation of the control and the Risk Management, Internal Audit and Compliance Departments for the continuous monitoring and evaluation of the system. All employees are ultimately responsible for operating and maintaining an efficient internal control system at their respective levels. The external auditors are responsible for determining the adequacy of the system of internal controls to decide the level of reliance they can place on the Company's internal controls, to design their audit procedures accordingly.

(Handwritten signatures and initials)

The Company's Internal Control System is subject to ongoing evaluations and improvement to allow for the identification of any gaps and meet the desired level of effectiveness, key controls include:

- i) Existence of a series of policies and procedures, which are subject to regular updates and reviews to verify their sufficiency and adequacy.
- ii) Company's operations are automated using state of art sophisticated Oracle and Siebel Systems that helps enhancing efficiencies and controls environment.
- iii) All work related and major important decisions are supervised by management to safeguard the Company's interest.
- iv) Existence of departments specialized in fields of audit, risk, compliance, anti-money laundering & counter terrorism financing.

Risk management is a vital factor of Company's activities. The Company manages a process of ongoing risk identification and measurement through the use of effective controls and a number of committees and departments, established to coordinate and manage day to day risk management. Following is the summary of main risks:

Capital Management

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure. The Company manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. During 2018, the Company has raised capital SR 100,000,000 to SR 200,000,000.

The Company monitors capital on the basis of the regulatory requirements of Regulations for Companies and SAMA minimum capital requirements for financing companies.

Management Team

Mr. Abbas Mohammed Al-Nahdi	Chief Executive Officer
Mr. Alaa Eid Rostom	Head of Credit & Risk
Mr. Ahmed Abdul Malik Mohsen	Head of Sales & Marketing (Acting)
Mr. Fahd Ali Alwahdi	Head of Operations & Information Technology
Mr. Saad Mansour AbdulAtti	Head of Compliance, Anti-Money Laundering and Terrorism Financing
Mr. Khalid Yahya AlSharif	Head of Human Resource & Administration
Mr. Muhammad Javed Mughal	Head of Finance
Mr. Muawyah Alawad Ahmed	Head of Internal Audit

(Handwritten signatures and initials in blue ink)

Social Responsibility

As a part of the nation, we consider investments in society to be as important as any of our other investments. The Company derives its activities related to its social responsibility from its commitment to contributing towards a better future by caring for the local communities.

Declaration

The Board of Directors hereby confirms that;

- i) Proper books of accounts have been maintained.
- ii) The financial statements have been prepared in compliance with the provisions of Companies' Law in the Kingdom of Saudi Arabia and Company's By-laws.
- iii) The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as modified by the Saudi Arabian Monetary Authority (SAMA) for accounting of zakat and income tax.
- iv) Internal Audit Control was properly and efficiently implemented.
- v) There is no doubt over the Company's ability to continue as a going concern.

The board takes this opportunity to express appreciation to the government of the Kingdom of Saudi Arabia, and specifically the SAMA, Capital Market Authority (CMA) and the Ministry of Commerce & Investment (MCI) for their continuing support to the industry. The board thanks all business partners of the Company including valued customers, vendors, distributors, resellers, shareholders and bankers for their valuable support during the year. The board also appreciate and recognize the efforts and contribution made by the employees at all levels.

May Allah lead us to success.

For and on behalf of the Board of Directors

Chairman



(Dr. Saleh Jameel Saleh Malaikah)

Jeddah, Kingdom of Saudi Arabia
March 04, 2019 corresponding to 27 Jumada Al-Thanhi 1440H.

