

**TAAJEER FINANCE LEASE COMPANY**  
(A Saudi Closed Joint Stock Company)  
**UNAUDITED INTERIM CONDENSED FINANCIAL**  
**STATEMENTS AND REVIEW REPORT**  
**FOR THE THREE-MONTH PERIOD ENDED**  
**31 MARCH 2020**

**TAAJEER FINANCE LEASE COMPANY**  
(A Saudi Closed Joint Stock Company)  
**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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 31 March 2020, the related interim condensed statement of comprehensive income for the three-month period then ended, changes in shareholders' equity and cash flows for the three-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 O. Alseraihi  
License No. 405  
Jeddah on 14 May 2020  
Corresponding to 21 Ramadan 1441H



**TAAJEER FINANCE LEASE COMPANY**

(A Saudi Closed Joint Stock Company)

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)****AS AT 31 MARCH 2020**

	Note	As At	
		31 March	31 December
		2020	2019
		(Unaudited)	(Audited)
		SR	SR
<b>ASSETS</b>			
Cash and Bank balances	5	40,683,897	96,029,812
Prepayments and other receivables		15,158,181	11,965,828
Vehicles available for lease		220,430	887,923
Net investment in finance lease	6	476,185,570	422,668,096
Net deferred consideration receivable		23,988,977	20,362,584
Investment classified at FVTOCI		892,850	892,850
Property and equipment		4,197,262	3,891,750
Intangibles		3,656,821	3,881,351
<b>TOTAL ASSETS</b>		<b>564,983,988</b>	<b>560,580,194</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Trade payables	7	98,628,989	93,319,571
Due to related parties	10	11,463,122	28,560,472
Zakat payable	8	5,009,640	4,212,709
Net servicing liability	6	15,655,260	15,502,579
Long-term loans	9	216,534,518	202,646,815
Employee termination benefits		1,733,065	1,559,794
<b>TOTAL LIABILITIES</b>		<b>349,024,594</b>	<b>345,801,940</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		200,000,000	200,000,000
Statutory reserve		3,883,191	3,883,191
Retained earnings		12,076,203	10,895,063
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>215,959,394</b>	<b>214,778,254</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>564,983,988</b>	<b>560,580,194</b>

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 PERIOD ENDED 31 MARCH 2020**

	<b>Note</b>	<i>For the three-month period ended</i>	
		<i>31 March</i>	<i>31 March</i>
		<i>2020</i>	<i>2019</i>
		<i>SR</i>	<i>SR</i>
			(Restated - note 4)
Finance income		<b>9,839,859</b>	8,597,931
Finance costs		<b>(3,119,745)</b>	(1,939,508)
<b>Net finance income</b>		<b>6,720,114</b>	6,658,423
Net gain on securitization of receivables	<b>6</b>	<b>5,123,473</b>	21,321,769
Net change in deferred consideration receivables	<b>6</b>	<b>2,642,635</b>	-
Net change in net servicing liability	<b>6</b>	<b>2,140,576</b>	681,760
Other operating income	<b>11</b>	<b>4,349,470</b>	4,779,962
Selling and marketing expenses		<b>(3,711,769)</b>	(2,380,011)
General and administrative expenses		<b>(5,934,494)</b>	(5,634,319)
Impairment of net investment in finance lease	<b>6</b>	<b>(7,343,327)</b>	(4,868,967)
Other operating expenses		<b>(2,008,607)</b>	(242,836)
<b>Net operating profit</b>		<b>1,978,071</b>	20,315,781
<b>Zakat</b>	<b>8</b>	<b>(796,931)</b>	(2,523,953)
<b>Profit for the period</b>		<b>1,181,140</b>	17,791,828
Other comprehensive income for the period		-	-
<b>Total comprehensive income for the period</b>		<b>1,181,140</b>	17,791,828

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 THREE-MONTH PERIOD ENDED 31 MARCH 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>	
<b>For the three-month period</b>				
<b>ended 31 March 2020</b>				
<b>Balance as at 31 December 2019</b>	<b>200,000,000</b>	<b>3,883,191</b>	<b>10,895,063</b>	<b>214,778,254</b>
<b>Profit for the period</b>	-	-	<b>1,181,140</b>	<b>1,181,140</b>
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income</b>	-	-	<b>1,181,140</b>	<b>1,181,140</b>
<b>As at 31 March 2020</b>	<b>200,000,000</b>	<b>3,883,191</b>	<b>12,076,203</b>	<b>215,959,394</b>
<b>For the three-month period</b>				
<b>ended 31 March 2019</b>				
<b>Balance as at 31 December 2018</b>	200,000,000	140,991	(22,626,849)	177,514,142
<b>Profit for the period</b>	-	-	17,791,828	17,791,828
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income</b>	-	-	17,791,828	17,791,828
<b>As at 31 March 2019</b>	<b>200,000,000</b>	<b>140,991</b>	<b>(4,835,021)</b>	<b>195,305,970</b>

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 THREE-MONTH PERIOD ENDED 31 MARCH 2020**

	<b>Note</b>	<i>For the three-month period ended</i>	
		<i>31 March</i>	<i>31 March</i>
		<b>2020</b>	<b>2019</b>
		<b>SR</b>	<b>SR</b>
<b>OPERATING ACTIVITIES</b>			
Profit for the period before zakat		<b>1,978,071</b>	20,315,781
Adjustments for non-cash items:			
Impairment of net investment in finance lease	<b>6</b>	<b>7,343,327</b>	4,868,967
Finance costs		<b>3,119,745</b>	1,939,508
Depreciation and amortization		<b>499,664</b>	394,931
Employee termination benefits incurred		<b>195,015</b>	153,045
Net gain on securitization of receivables	<b>6</b>	<b>(5,123,473)</b>	(21,321,769)
Net change in deferred consideration receivables	<b>6</b>	<b>(2,642,635)</b>	-
Net change in net servicing liability	<b>6</b>	<b>(2,140,576)</b>	681,760
		<b>3,229,138</b>	7,032,223
Changes in working capital:			
Prepayments and other receivables		<b>(3,192,353)</b>	(7,092,179)
Net investment in finance lease		<b>(54,427,829)</b>	89,457,331
Due from related parties		-	(21,518,006)
Vehicles available for lease		<b>667,493</b>	(908,032)
Long term loan, net		<b>13,887,703</b>	23,046,976
Trade payables		<b>5,556,194</b>	14,032,133
		<b>(17,097,350)</b>	(79,409,289)
Cash (used in) / generated from operations		<b>(51,377,004)</b>	24,641,157
Finance cost paid		<b>(3,366,521)</b>	(1,624,887)
Employee termination benefits paid		<b>(21,744)</b>	(80,494)
<b>Net cash flows (used in) / generated from operating activities</b>		<b>(54,765,269)</b>	22,935,776
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		<b>(580,646)</b>	(2,373,884)
<b>Net cash flows used in investing activities</b>		<b>(580,646)</b>	(2,373,884)
<b>Net change in cash and cash equivalents</b>		<b>(55,345,915)</b>	20,561,892
Cash and cash equivalents at the beginning of the period		<b>96,029,812</b>	16,200,846
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>40,683,897</b>	36,762,738

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 THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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#### **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 31 March 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 for auto finance operations only:

<b>CR number</b>	<b>Location</b>
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 three months period ended 31 March 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 THREE-MONTH PERIOD ENDED 31 MARCH 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 31 March 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 condensed interim financial statements.

**Change in Zakat accounting policy**

The Company used to account for zakat charge directly in equity pursuant to the circular of the Saudi Arabian Monetary Authority (SAMA) number 381000074519 dated 11 April 2017. The Company received an updated instruction from SAMA during 2019 which required all financial institutions to recognize zakat and income tax as per accounting standards endorsed by the Saudi Organization of Certified Public Accountants (SOCPA). SOCPA standard on zakat requires Companies to recognize zakat charge in profit or loss. Consequently, the Company changed its accounting policy for zakat to comply with SOCPA zakat standard and retrospectively applied the new accounting policy. The effect of change on the line items of the statements of income, statement of financial position and changes in shareholders' equity is as follows:

Account	Financial statement impacted	As previously reported for the three-month period ended 31 March 2019	Effect of Restatement	As restated for the three-month period ended 31 March 2019
<b>Zakat</b>	Interim statement of income	-	(2,523,953)	-
<b>Profit for the period</b>	Interim statement of income	20,315,781	(2,523,953)	17,791,828
<b>Zakat</b>	Interim statement of changes in equity	2,523,953	(2,523,953)	-
<b>Total comprehensive income for the period</b>	Interim statement of changes in equity	20,315,781	(2,523,953)	17,791,828

**TAAJEER FINANCE LEASE COMPANY**

(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020****5 CASH AND BANK BALANCES**

	<i>31 March 2020</i>	<i>31 December 2019</i>
	<i>SR</i>	<i>SR</i>
Cash in hand	<b>396,000</b>	-
Bank balances	<b>40,287,897</b>	96,029,812
	<b>40,683,897</b>	96,029,812

**6 NET INVESTMENT IN FINANCE LEASE**

	<i>31 March 2020</i>	<i>31 December 2019</i>
	<i>SR</i>	<i>SR</i>
Gross investment in finance lease	<b>738,214,135</b>	645,689,690
Less: unearned finance income	<b>(225,665,474)</b>	(193,771,232)
	<b>512,548,661</b>	451,918,458
Less: allowance for expected credit losses	<b>(36,363,091)</b>	(29,250,362)
Net investment in finance lease	<b>476,185,570</b>	422,668,096

During the three-month period ended 31 March 2020, the Company has reassess its assumption and estimates regarding macroeconomic inputs such as unemployment levels and GDP based on the current economic situation and therefore the Company has recalculated the effect on probabilities of default (PDs) to the individual pool of the lease receivables.

**6.1 Movement in allowance for expected credit losses**

	<i>For the three- month period ended 31 March 2020</i>	<i>For the year ended 31 December 2019</i>
	<i>SR</i>	<i>SR</i>
At the beginning of the year	<b>29,250,362</b>	22,831,624
Allowance related to derecognized receivables	<b>(230,598)</b>	(4,334,901)
Provided during the year	<b>7,343,327</b>	10,753,639
	<b>36,363,091</b>	29,250,362

**6.2 Ageing of gross finance lease receivables**

	<i>31 March 2020</i>	<i>31 December 2019</i>
	<i>SR</i>	<i>SR</i>
Not due	<b>708,614,464</b>	621,766,396
1 - 3 months over due	<b>12,326,772</b>	6,369,264
4 - 6 months over due	<b>4,310,508</b>	5,496,270
7 - 12 months over due	<b>5,212,007</b>	6,367,117
Over 12 months over due	<b>7,750,384</b>	5,690,643
	<b>738,214,135</b>	645,689,690

**TAAJEER FINANCE LEASE COMPANY**

(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

**6 NET INVESTMENT IN FINANCE LEASE (continued)**

**6.3 Portfolio analysis**

The Company finances the sale of vehicles to its customers through Ijarah and Murabaha. Under Ijarah, the legal ownership of the vehicle 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>31 March 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		731,624,054	(224,948,742)	(35,581,820)	471,093,492
Murabaha		6,590,081	(716,732)	(781,271)	5,092,078
		<u>738,214,135</u>	<u>(225,665,474)</u>	<u>(36,363,091)</u>	<u>476,185,570</u>
		<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
		<u>645,689,690</u>	<u>(193,771,232)</u>	<u>(29,250,362)</u>	<u>422,668,096</u>

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

		<i>31 March 2020</i>			
		<i>Non-current</i>			<i>Total</i>
		<i>Within 1 year</i>	<i>1 to 3 years</i>	<i>Over 3 year</i>	<i>SR</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Gross investment in finance lease		239,224,998	370,803,671	128,185,466	738,214,135
Less: unearned finance income		(86,268,736)	(106,549,145)	(32,847,593)	(225,665,474)
Net investment in finance lease		<u>152,956,262</u>	<u>264,254,526</u>	<u>95,337,873</u>	<u>512,548,661</u>
		<i>31 December 2019</i>			
		<i>Non-current</i>			<i>Total</i>
		<i>Within 1 year</i>	<i>1 to 3 years</i>	<i>Over 3 year</i>	<i>SR</i>
		<i>SR</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>

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.

**TAAJEER FINANCE LEASE COMPANY**

(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020****6 NET INVESTMENT IN FINANCE LEASE (continued)**

During the three-months period ended 31 March 2020, the Company sold SR 23.1 million (31 March 2019: SR 109.5 million) of its net receivables and the total amount received from the bank in respect of such sale was SR 30.4 million (31 March 2019: SR 127.8). 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 334.95 million as at 31 March 2020 (31 December 2019: SR 321.7 million). The maturity analysis of derecognized net receivables as follows:

	<u>Within 1 year</u>	<u>1 to 3 years</u>	<u>Over 3 year</u>	<u>Total</u>
	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
<i>31 March 2020</i>	<u>36,069,685</u>	<u>90,070,404</u>	<u>88,721,902</u>	<u>214,861,991</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>

- 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 three-months period ended 31 March 2020, the Company recognized a net gain amounting to SR 5.1 million (31 March 2019: SR 21.3 million) on derecognition of receivables sold to a bank under the Agreement.

**6.5 Securitised receivables**

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:

	<u>31 March</u>	<u>31 December</u>
	<u>2020</u>	<u>2019</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>SR</u>	<u>SR</u>
Present value of deferred consideration receivable	<u>27,661,448</u>	25,974,782
Less: allowance for expected defaults and early termination	<u>(3,672,471)</u>	(5,612,198)
Net deferred consideration receivable	<u>23,988,977</u>	<u>20,362,584</u>

**TAAJEER FINANCE LEASE COMPANY**

(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)****FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020****6 NET INVESTMENT IN FINANCE LEASE (continued)**

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>31 March 2020 (Unaudited) SR</i>	<i>31 December 2019 (Audited) SR</i>
Present value of servicing asset	<b>10,534,591</b>	9,714,404
Less: Present value of servicing liability	<b>(26,189,851)</b>	(25,216,983)
Net servicing liability	<b><u>(15,655,260)</u></b>	<b><u>(15,502,579)</u></b>

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 4.84% to 7.58% (31 December 2019: 6.09% to 7.58%).

**7 TRADE PAYABLES**

	<i>31 March 2020 SR</i>	<i>31 December 2019 SR</i>
Payables to suppliers of vehicles	<b>64,673,917</b>	60,844,412
Payable under purchase and agency agreement (Note 6)	<b>21,816,518</b>	20,412,594
Accrued expenses	<b>5,419,120</b>	6,032,509
Advance from customers	<b>3,956,185</b>	3,409,295
Other payables	<b>2,763,249</b>	2,620,761
	<b><u>98,628,989</u></b>	<b><u>93,319,571</u></b>

**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 three-month period ended</i>	
	<i>31 March 2020 SR</i>	<i>31 March 2019 SR</i>
Current zakat charges	<b>796,931</b>	2,523,953
	<b><u>796,931</u></b>	<b><u>2,523,953</u></b>

(Restated - note 4)

**TAAJEER FINANCE LEASE COMPANY**

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020****8 ZAKAT PAYABLE (continued)**

The movement in the zakat payable is as follows:

	<i>For the three- month period ended 31 March 2020</i>	<i>For the year ended 31 December 2019</i>
	<i>SR</i>	<i>SR</i>
At the beginning of the period / year	<b>4,212,709</b>	-
Charge for the period / year	<b>796,931</b>	4,705,084
Payments	-	(492,375)
	<b><u>5,009,640</u></b>	<b><u>4,212,709</u></b>

**Status of certificates and assessments:**

In accordance with the final zakat settlement agreement with the General Authority of Zakat and Tax (GAZT), Taajeer Finance has settled the zakat liability agreed and finalized the years up till 2018.

The GAZT has performed a review assessment of Taajeer'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>31 March 2020</i>	<i>31 December 2019</i>
	<i>SR</i>	<i>SR</i>
Commercial loans (see note (a) below)	<b>201,566,283</b>	186,177,905
Governmental loan (see note (b) below)	<b>14,968,235</b>	16,468,910
	<b><u>216,534,518</u></b>	<b><u>202,646,815</u></b>

**a) Commercial loans**

Commercial loans were obtained from local financial institutions to finance working capital requirements. The loans are secured by personal guarantees of the shareholders and carry commercial profit rate.

**b) Governmental loan**

During the year 2019, the Company obtained a loan of SR 20 million at below-market rate of interest from a governmental body under a scheme launched by Monsha'at to support small and medium sized entities. The Company recognized the loan initially at its fair value using a discount factor of 5.14% and recognized an unearned government grant of SR 1.2 million being the difference between the amount received and the fair value of the loan. Up to 31 December 2019, the Company has fully earned the government grant on its utilization of funds obtained from the governmental body to finance small and medium sized entities on a pro-rata basis.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020****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 three-month periods ended</i>	
		<i>31 March 2020</i>	<i>31 March 2019</i>
		SR	SR
Ultimate parent	Collection from Company's customers	-	10,525,111
Others	Purchase of Vehicles	28,758,666	20,591,239
	Vehicle maintenace	141,386	1,696,266

**Due to related parties comprise of the following:**

	<i>31 March 2020</i>	<i>31 December 2019</i>
	SR	SR
Taajeer International Company Limited	3,696,625	25,263,631
Taajeer National Company for Maintenance and Integrated Services	2,432,066	2,264,701
Taajeer Group	5,334,431	890,333
Awaed Arabia	-	141,807
	<b>11,463,122</b>	<b>28,560,472</b>

**Compensation of key management personnel of the Company**

	<i>For the three-month periods ended</i>	
	<i>31 March 2020</i>	<i>31 March 2019</i>
	SR	SR
Short term employee benefits	746,200	726,000
Termination benefits	421,053	299,617
Total compensation paid to key management personnel	<b>1,167,253</b>	<b>1,025,617</b>

**11 OTHER OPERATING INCOME**

	<i>For the three-month period ended</i>	
	<i>31 March 2020</i>	<i>31 March 2019</i>
	SR	SR
Fee income	1,536,824	1,473,631
Insurance reimbursed/(paid), net	171,617	2,237,040
Rebate on purchase of vehicles	2,242,550	411,693
Other	398,479	657,598
	<b>4,349,470</b>	<b>4,779,962</b>

**12 COMMITMENTS AND CONTINGENCIES**

As at 31 March 2020, the Company had no contingent liabilities and commitments.

**TAAJEER FINANCE LEASE COMPANY**

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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**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 11 May 2020 corresponding to 18 Ramadan 1441H.