

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

**TAAJEER FINANCE LEASE COMPANY**

(A Saudi Closed Joint Stock Company)

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 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 June 2020, the related interim condensed statement of comprehensive income for the three-month and six-month periods then ended, changes in shareholders' equity and cash flows for the six-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*  
Ayad Alseraihi

License No. 405

Jeddah on 28 July 2020

Corresponding to 7 Dhual-Hijja 1441H



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

|   | Note | As At              |                    |
|---|------|--------------------|--------------------|
|   |      | 30 June            | 31 December        |
|   |      | 2020               | 2019               |
|   |      | (Unaudited)        | (Audited)          |
|   |      | SR                 | SR                 |
| <b>ASSETS</b>                                     |      |                    |                    |
| Cash and Bank balances                            | 5    | 92,319,124         | 96,029,812         |
| Prepayments and other receivables                 |      | 14,458,464         | 11,965,827         |
| Vehicles available for sale                       |      | 655,669            | 887,923            |
| Net investment in finance lease                   | 6    | 540,005,022        | 422,668,096        |
| Net deferred consideration receivable             | 6    | 21,034,535         | 20,362,584         |
| Investment classified at FVTOCI                   |      | 892,850            | 892,850            |
| Property and equipment                            |      | 4,027,097          | 3,891,750          |
| Intangibles                                       |      | 3,432,290          | 3,881,352          |
| <b>TOTAL ASSETS</b>                               |      | <b>676,825,051</b> | <b>560,580,194</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |      |                    |                    |
| <b>LIABILITIES</b>                                |      |                    |                    |
| Trade payables                                    | 7    | 82,034,374         | 93,319,571         |
| Due to related parties                            | 10   | 34,180,235         | 28,560,472         |
| Zakat payable                                     | 8    | 5,913,002          | 4,212,709          |
| Net servicing liability                           | 6    | 14,048,513         | 15,502,579         |
| Long-term loans                                   | 9    | 331,286,788        | 202,646,815        |
| Unearned Government grant                         |      | 1,492,327          | -                  |
| Employee termination benefits                     |      | 1,889,990          | 1,559,794          |
| <b>TOTAL LIABILITIES</b>                          |      | <b>470,845,229</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                                 |      | 2,096,631          | 10,895,063         |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                 |      | <b>205,979,822</b> | <b>214,778,254</b> |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |      | <b>676,825,051</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 AND SIX-MONTH PERIODS ENDED 30 JUNE 2020**

|  | Note | <i>For the three-month period ended</i> |                | <i>For the six-month period ended</i> |                |
|--|------|---|----------------|---------------------------------------|----------------|
|  |      | <i>30 June</i>                          | <i>30 June</i> | <i>30 June</i>                        | <i>30 June</i> |
|  |      | <i>2020</i>                             | <i>2019</i>    | <i>2020</i>                           | <i>2019</i>    |
|  |      | SR                                      | SR             | SR                                    | SR             |
| Finance income   |      | 12,849,334                              | 9,452,888      | 22,689,193                            | 18,050,819     |
| Finance costs  |      | (2,340,596)                             | (2,435,737)    | (5,460,341)                           | (4,375,245)    |
| <b>Net finance income</b>                                  |      | <b>10,508,738</b>                       | 7,017,151      | <b>17,228,852</b>                     | 13,675,574     |
| Net gain on securitization of receivables                  | 6    | -                                       | -              | 5,123,473                             | 21,321,769     |
| Net change in deferred consideration receivable            | 6    | (2,954,440)                             | 380,318        | (311,805)                             | 380,318        |
| Net change in net servicing liability                      | 6    | 2,167,068                               | 1,105,837      | 4,307,644                             | 1,787,599      |
| Government grant income                                    |      | 1,023,535                               | 257,305        | 1,023,535                             | 257,304        |
| Other operating income                                     | 11   | 8,850,553                               | 4,975,948      | 13,200,023                            | 9,755,910      |
| Selling and marketing expenses                             |      | (4,926,258)                             | (3,192,957)    | (8,638,027)                           | (5,572,968)    |
| General and administrative expenses                        |      | (5,550,082)                             | (5,795,835)    | (11,484,576)                          | (11,430,154)   |
| (Impairment) / reversal of net investment in finance lease | 6    | (16,580,414)                            | 2,418,311      | (23,923,741)                          | (2,450,656)    |
| Other operating expenses                                   |      | (1,614,910)                             | (235,065)      | (3,623,517)                           | (477,901)      |
| <b>Net operating (loss) / profit</b>                       |      | <b>(9,076,210)</b>                      | 6,931,013      | <b>(7,098,139)</b>                    | 27,246,795     |
| <b>Zakat</b>   | 8    | <b>(903,362)</b>                        | (693,101)      | <b>(1,700,293)</b>                    | (3,217,054)    |
| <b>(Loss) / profit for the period</b>                      |      | <b>(9,979,572)</b>                      | 6,237,912      | <b>(8,798,432)</b>                    | 24,029,741     |
| Other comprehensive income for the period                  |      | -                                       | -              | -                                     | -              |
| <b>Total comprehensive (loss) / income for the period</b>  |      | <b>(9,979,572)</b>                      | 6,237,912      | <b>(8,798,432)</b>                    | 24,029,741     |

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 SIX-MONTH PERIOD ENDED 30 JUNE 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>          |
| <b>For the six-month period</b> |                      |                  |                     |                    |
| <b>ended 30 June 2020:</b>      |                      |                  |                     |                    |
| 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> |
| Loss for the period             | -                    | -                | (8,798,432)         | (8,798,432)        |
| Other comprehensive income      | -                    | -                | -                   | -                  |
| Total comprehensive loss        | -                    | -                | (8,798,432)         | (8,798,432)        |
| As at 30 June 2020              | <u>200,000,000</u>   | <u>3,883,191</u> | <u>2,096,631</u>    | <u>205,979,822</u> |
| <b>For the six-month period</b> |                      |                  |                     |                    |
| <b>ended 30 June 2019:</b>      |                      |                  |                     |                    |
| 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           | -                    | -                | 24,029,741          | 24,029,741         |
| Other comprehensive income      | -                    | -                | -                   | -                  |
| Total comprehensive income      | -                    | -                | 24,029,741          | 24,029,741         |
| As at 30 June 2019              | <u>200,000,000</u>   | <u>140,991</u>   | <u>1,402,892</u>    | <u>201,543,883</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 SIX-MONTH PERIOD ENDED 30 JUNE 2020**

|   | Note | <i>For the six-month period ended</i> |                          |
|---|------|---------------------------------------|--------------------------|
|   |      | <i>30 June</i>                        | <i>30 June</i>           |
|   |      | <i>2020</i>                           | <i>2019</i>              |
|   |      | <i>SR</i>                             | <i>SR</i>                |
| <b>OPERATING ACTIVITIES</b>   |      |                                       |                          |
| (Loss) / profit for the period before zakat                           |      | (7,098,139)                           | 27,246,795               |
| Adjustments for non-cash items:                                       |      |                                       |                          |
| Impairment of net investment in finance lease                         | 6    | 23,923,741                            | 2,450,656                |
| Finance costs   |      | 5,460,341                             | 4,375,245                |
| Depreciation and amortization   |      | 1,019,335                             | 848,668                  |
| Employee termination benefits incurred                                |      | 351,939                               | 312,628                  |
| Government grant income   |      | (1,023,535)                           | (257,304)                |
| Gain on restructuring of loan   |      | (775,278)                             | -                        |
| Net gain on securitization of receivables                             | 6    | (5,123,473)                           | (21,321,769)             |
| Net change in deferred consideration receivables                      | 6    | (311,805)                             | (380,318)                |
| Net change in net servicing liability                                 | 6    | 4,307,644                             | (1,787,599)              |
|   |      | <u>20,730,770</u>                     | <u>11,487,002</u>        |
| Changes in working capital:   |      |                                       |                          |
| Prepayments and other receivables                                     |      | (2,492,637)                           | (5,900,965)              |
| Net investment in finance lease                                       |      | (142,259,050)                         | 33,100,745               |
| Due from related parties  |      | -                                     | (24,477,087)             |
| Vehicles available for sale   |      | 232,254                               | 89,519                   |
| Long term loan, net   |      | 131,560,531                           | 58,559,006               |
| Trade payables  |      | (12,732,930)                          | 29,448,134               |
| Due to related parties  |      | 5,619,763                             | (61,903,929)             |
| Cash generated from operations  |      | <u>658,701</u>                        | <u>40,402,425</u>        |
| Zakat paid  |      | -                                     | (140,992)                |
| Finance cost paid   |      | (3,642,026)                           | (3,723,778)              |
| Employee termination benefits paid                                    |      | (21,744)                              | (98,636)                 |
| <b>Net cash flows (used in) / generated from operating activities</b> |      | <u>(3,005,069)</u>                    | <u>36,439,019</u>        |
| <b>INVESTING ACTIVITIES</b>   |      |                                       |                          |
| Purchase of property and equipment                                    |      | (705,619)                             | (2,395,846)              |
| <b>Net cash flows used in investing activities</b>                    |      | <u>(705,619)</u>                      | <u>(2,395,846)</u>       |
| <b>Net change in cash and cash equivalents</b>                        |      | <u>(3,710,688)</u>                    | <u>34,043,173</u>        |
| Cash and cash equivalents at the beginning of the period              |      | <u>96,029,812</u>                     | <u>16,200,846</u>        |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>             |      | <u><u>92,319,124</u></u>              | <u><u>50,244,019</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 SIX-MONTH PERIOD ENDED 30 JUNE 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 30 June 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 six-month period ended 30 June 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 SIX-MONTH PERIOD ENDED 30 JUNE 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 June 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 June</i><br><i>2020</i> | <i>31 December</i><br><i>2019</i> |
|---------------|-------------------------------|-----------------------------------|
|               | <i>SR</i>                     | <i>SR</i>                         |
| Cash on hand  | <b>409,000</b>                | -                                 |
| Bank balances | <b>91,910,124</b>             | 96,029,812                        |
|               | <b>92,319,124</b>             | 96,029,812                        |

**6 NET INVESTMENT IN FINANCE LEASE**

|  | <i>30 June</i><br><i>2020</i> | <i>31 December</i><br><i>2019</i> |
|--|-------------------------------|-----------------------------------|
|  | <i>SR</i>                     | <i>SR</i>                         |
| Gross investment in finance lease          | <b>833,746,668</b>            | 645,689,690                       |
| Less: unearned finance income              | <b>(240,798,141)</b>          | (193,771,232)                     |
|  | <b>592,948,527</b>            | 451,918,458                       |
| Less: allowance for expected credit losses | <b>(52,943,505)</b>           | (29,250,362)                      |
| Net investment in finance lease            | <b>540,005,022</b>            | 422,668,096                       |

During the six-month period ended 30 June 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 SIX-MONTH PERIOD ENDED 30 JUNE 2020**

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

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

|   | <i>For the six-month period ended 30 June 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>23,923,741</b>                                  | 10,753,639                                 |
|   | <b>52,943,505</b>                                  | 29,250,362                                 |

**6.2 Ageing of gross finance lease receivables**

|                         | <i>30 June 2020</i> | <i>31 December 2019</i> |
|-------------------------|---------------------|-------------------------|
|                         | <i>SR</i>           | <i>SR</i>               |
| Not due                 | <b>805,200,178</b>  | 621,766,396             |
| 1 - 3 months over due   | <b>8,140,025</b>    | 6,369,264               |
| 4 - 6 months over due   | <b>3,922,007</b>    | 5,496,270               |
| 7 - 12 months over due  | <b>6,957,322</b>    | 6,367,117               |
| Over 12 months over due | <b>9,527,136</b>    | 5,690,643               |
|                         | <b>833,746,668</b>  | 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 June 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   | <b>813,434,657</b>      | <b>(239,692,700)</b>           | <b>(46,508,131)</b>                       | <b>527,233,826</b>    |
| Murabaha | <b>20,312,011</b>       | <b>(1,105,441)</b>             | <b>(6,435,374)</b>                        | <b>12,771,196</b>     |
|          | <b>833,746,668</b>      | <b>(240,798,141)</b>           | <b>(52,943,505)</b>                       | <b>540,005,022</b>    |
|          | <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             |
|          | <b>645,689,690</b>      | <b>(193,771,232)</b>           | <b>(29,250,362)</b>                       | <b>422,668,096</b>    |

**TAAJEER FINANCE LEASE COMPANY**

(A Saudi Closed Joint Stock Company)

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

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

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

|                                   | <i>30 June 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 | 276,167,684             | 358,201,987         | 199,376,998        | 833,746,668        |
| Less: unearned finance income     | (93,148,682)            | (107,434,264)       | (40,215,195)       | (240,798,141)      |
| Net investment in finance lease   | <u>183,019,002</u>      | <u>250,767,723</u>  | <u>159,161,803</u> | <u>592,948,527</u> |
|                                   | <i>31 December 2019</i> |                     |                    |                    |
|                                   | <i>Within 1 year</i>    | <i>Non-current</i>  |                    | <i>Total</i>       |
|                                   | <i>SR</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.

During the six-months period ended 30 June 2020, the Company sold SR 23.1 million (30 June 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 (30 June 2019: SR 147.7). 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 312.2 million as at 30 June 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 June 2020</i>     | <u>37,141,443</u>    | <u>121,792,159</u>  | <u>45,142,833</u>  | <u>204,076,435</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> |

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020****6 NET INVESTMENT IN FINANCE LEASE (continued)**

- 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 six-month period ended 30 June 2020, the Company recognized a net gain amounting to SR 5.1 million (30 June 2019: SR 21.3 million) on derecognition of receivables sold to a bank under the Agreement.

**6.5 Securitized 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:

|   | <i>30 June<br/>2020<br/>(Unaudited)<br/>SR</i> | <i>31 December<br/>2019<br/>(Audited)<br/>SR</i> |
|---|--|--|
| Present value of deferred consideration receivable          | <b>28,142,069</b>                              | 25,974,782                                       |
| Less: allowance for expected defaults and early termination | <b>(7,107,534)</b>                             | (5,612,198)                                      |
| Net deferred consideration receivable                       | <b><u>21,034,535</u></b>                       | <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 June<br/>2020<br/>(Unaudited)<br/>SR</i> | <i>31 December<br/>2019<br/>(Audited)<br/>SR</i> |
|--|--|--|
| Present value of servicing asset           | <b>10,142,342</b>                              | 9,714,404  |
| Less: Present value of servicing liability | <b>(24,190,855)</b>                            | (25,216,983)                                     |
| Net servicing liability                    | <b><u>(14,048,513)</u></b>                     | <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: 7.58%).

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

|   | <i>30 June</i><br><i>2020</i> | <i>31 December</i><br><i>2019</i> |
|---|-------------------------------|-----------------------------------|
|   | <i>SR</i>                     | <i>SR</i>                         |
| Payables to suppliers of vehicles                     | <b>51,027,101</b>             | 60,844,412                        |
| Payable under purchase and agency agreements (Note 6) | <b>20,045,789</b>             | 20,412,594                        |
| Accrued expenses                                      | <b>6,128,542</b>              | 6,032,509                         |
| Advances from customers                               | <b>3,530,350</b>              | 3,409,295                         |
| Other payables  | <b>1,302,592</b>              | 2,620,761                         |
|   | <b>82,034,374</b>             | 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 six-month period ended</i> |                               |
|-----------------------|---------------------------------------|-------------------------------|
|                       | <i>30 June</i><br><i>2020</i>         | <i>30 June</i><br><i>2019</i> |
|                       | <i>SR</i>                             | <i>SR</i>                     |
| Current zakat charges | <b>1,700,293</b>                      | 693,101                       |
|                       | <b>1,700,293</b>                      | 693,101                       |

The movement in the zakat payable is as follows:

|                                       | <i>For the six-month</i><br><i>period ended</i><br><i>30 June</i><br><i>2020</i> | <i>For the year ended</i><br><i>31 December</i><br><i>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>1,700,293</b>   | 4,705,084  |
| Payments                              | -  | (492,375)  |
|                                       | <b>5,913,002</b>   | 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), Taajeer Finance has settled the zakat liability agreed and finalized the years up till 2018. The Company submitted zakat return for the year 2019, GAZT's review is awaited.

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>30 June</i><br><i>2020</i> | <i>31 December</i><br><i>2019</i> |
|--|-------------------------------|-----------------------------------|
|  | <i>SR</i>                     | <i>SR</i>                         |
| Commercial loans (see note (a) below)  | <b>289,817,065</b>            | 186,177,905                       |
| Governmental loan (see note (b) below) | <b>41,469,723</b>             | 16,468,910                        |
|  | <b>331,286,788</b>            | 202,646,815                       |

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 six-month periods ended</i> |                     |
|-----------------|-------------------------------------|--|---------------------|
|                 |                                     | <i>30 June 2020</i>                    | <i>30 June 2019</i> |
|                 |                                     | SR                                     | SR                  |
| Ultimate parent | Collection from Company's customers | -                                      | 43,792,487          |
| Others          | Purchase of Vehicles                | 72,561,257                             | 37,808,346          |
|                 | Vehicle maintenance                 | 335,623                                | -                   |
|                 | Vehicles collection                 | 299,972                                | -                   |

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

|  | <i>30 June<br/>2020</i> | <i>31 December<br/>2019</i> |
|--|-------------------------|-----------------------------|
|  | SR                      | SR                          |
| Taajeer International Company Limited                            | 27,179,835              | 25,263,631                  |
| Taajeer National Company for Maintenance and Integrated Services | 205,645                 | 2,264,701                   |
| Taajeer Group  | 6,557,689               | 890,333                     |
| Awaed Arabia   | 237,066                 | 141,807                     |
|  | <b>34,180,235</b>       | <b>28,560,472</b>           |

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

|   | <i>For the six-month periods ended</i> |                     |
|---|--|---------------------|
|   | <i>30 June 2020</i>                    | <i>30 June 2019</i> |
|   | SR                                     | SR                  |
| Short term employee benefits                        | 1,620,488                              | 1,623,000           |
| Termination benefits                                | 830,573                                | 557,096             |
| Total compensation paid to key management personnel | <b>2,451,061</b>                       | <b>2,180,096</b>    |

**TAAJEER FINANCE LEASE COMPANY**

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

|                                  | <i>For the six-month period ended</i> |                |
|----------------------------------|---------------------------------------|----------------|
|                                  | <i>30 June</i>                        | <i>30 June</i> |
|                                  | <i>2020</i>                           | <i>2019</i>    |
|                                  | <i>SR</i>                             | <i>SR</i>      |
| Fee income                       | <b>3,674,307</b>                      | 2,597,277      |
| Insurance reimbursed/(paid), net | <b>1,890,713</b>                      | 5,150,982      |
| Rebate on purchase of vehicles   | <b>6,491,195</b>                      | 1,193,907      |
| Gain on restructuring of loan    | <b>775,278</b>                        | -              |
| Other                            | <b>368,530</b>                        | 813,744        |
|                                  | <b>13,200,023</b>                     | 9,755,910      |

**12 COMMITMENTS AND CONTINGENCIES**

As at 30 June 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 28 July 2020 corresponding to 7 Dhual-Hijja 1441H.