

**TAAJEER FINANCE LEASE COMPANY**  
(A Saudi Closed Joint Stock Company)  
**INTERIM CONDENSED FINANCIAL STATEMENTS AND  
REVIEW REPORT**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED  
30 SEPTEMBER 2022**

**TAAJEER FINANCE LEASE COMPANY**

(A Saudi Closed Joint Stock Company)

**INTERIM CONDENSED FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022**

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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 2022, the related interim condensed statement of profit or loss and other 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 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

**Majid Muneer Alnemer**

License No. 381

Jeddah on 27 October 2022.

Corresponding to 2 Rabi' al Thani 1444H.



**TAAJEER FINANCE LEASE COMPANY**  
(A Saudi Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2022**

	Note	As At	
		30 September	31 December
		2022	2021
		SR	SR
<b>ASSETS</b>			
Cash and banks		99,165,663	100,676,369
Prepayments and other receivables		19,581,913	18,190,823
Net investment in finance lease	5	904,566,116	800,479,205
Net deferred consideration receivable	5	56,792,197	46,070,353
Due from related parties	10	50,115,398	144,689
Vehicles available for lease		12,412,862	8,814,320
Investment designated at FVTOCI		892,850	892,850
Profit rate swap contract asset	8	13,148,206	-
Property and equipment		4,716,360	4,533,597
Intangibles		2,025,523	2,620,157
<b>TOTAL ASSETS</b>		<b>1,163,417,088</b>	<b>982,422,363</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Trade and other payable	6	205,820,609	167,685,965
Due to related parties	10	1,057,636	14,771,936
Zakat payable	7	4,756,928	3,002,968
Net servicing liability	5	8,556,291	16,938,781
Loans	8	615,613,785	505,503,171
Profit rate swap contract obligation	8	-	987,777
Employee termination benefits		3,711,567	2,969,058
<b>TOTAL LIABILITIES</b>		<b>839,516,816</b>	<b>711,859,656</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		200,000,000	200,000,000
Statutory reserve		9,588,006	9,588,006
Retained earnings		101,164,060	61,962,478
Profit rate swap hedge reserve		13,148,206	(987,777)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>323,900,272</b>	<b>270,562,707</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1,163,417,088</b>	<b>982,422,363</b>

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

**TAAJEER FINANCE LEASE COMPANY**

(A Saudi Closed Joint Stock Company)

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022**

	Note	<i>For the Three-month period ended 30 September</i>		<i>For the Nine-month period ended 30 September</i>	
		2022	2021	2022	2021
		SR	SR	SR	SR
Finance income		<b>22,286,458</b>	16,649,046	<b>60,551,960</b>	45,240,437
Finance costs		<b>(6,306,061)</b>	(5,769,838)	<b>(17,920,951)</b>	(18,340,137)
<b>Net finance income</b>		<b>15,980,397</b>	10,879,208	<b>42,631,009</b>	26,900,300
Net gain on securitization of receivables	5	-	10,234,129	<b>22,110,884</b>	33,743,687
Net change in deferred consideration receivables	5	<b>2,324,689</b>	(319,685)	<b>1,177,872</b>	746,267
Net change in net servicing liability	5	<b>4,019,670</b>	4,138,552	<b>11,832,296</b>	11,213,657
Other operating income - net	9	<b>16,145,618</b>	8,790,452	<b>29,718,654</b>	21,170,915
Government grant income		<b>1,398,166</b>	297,844	<b>2,856,978</b>	629,087
Selling and marketing expenses		<b>(6,378,875)</b>	(4,493,890)	<b>(12,344,371)</b>	(14,183,605)
General and administrative expenses		<b>(8,208,431)</b>	(7,109,303)	<b>(28,183,730)</b>	(23,823,200)
Impairment of net investment in finance lease	5	<b>(4,664,356)</b>	(4,466,099)	<b>(12,138,469)</b>	(17,549,869)
Other operating expenses		<b>(2,548,149)</b>	(3,430,778)	<b>(10,091,841)</b>	(10,141,622)
<b>Net operating profit</b>		<b>18,068,729</b>	14,520,430	<b>47,569,282</b>	28,705,617
Zakat	7	<b>(1,806,873)</b>	(1,698,081)	<b>(8,367,700)</b>	(4,618,373)
<b>Profit for the period</b>		<b>16,261,856</b>	12,822,349	<b>39,201,582</b>	24,087,244
<b>Other Comprehensive Income (OCI)</b>					
<i>OCI that may be reclassified to profit or loss in subsequent periods:</i>					
Change in fair value of profit rate swap	8	<b>3,537,560</b>	83,493	<b>14,135,983</b>	(820,065)
<b>Other comprehensive Income/ (loss) for the period</b>		<b>3,537,560</b>	83,493	<b>14,135,983</b>	(820,065)
<b>Total comprehensive income for the period</b>		<b>19,799,416</b>	12,905,842	<b>53,337,565</b>	23,267,179
<b>Earnings per share:</b>					
Basic and diluted earnings per share		<b>0.81</b>	0.64	<b>1.96</b>	1.20
Average number of shares outstanding		<b>20,000,000</b>	20,000,000	<b>20,000,000</b>	20,000,000

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

**TAAJEER FINANCE LEASE COMPANY**

(A Saudi Closed Joint Stock Company)

**INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022**

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Profit rate swap hedge reserve</i>	<i>Total equity</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b>For the nine-month period ended 30 September 2022:</b>					
<b>Balance as at 31 December 2021</b>	<b>200,000,000</b>	<b>9,588,006</b>	<b>61,962,478</b>	<b>(987,777)</b>	<b>270,562,707</b>
<b>Profit for the period</b>	-	-	<b>39,201,582</b>	-	<b>39,201,582</b>
<b>Other comprehensive income</b>	-	-	-	<b>14,135,983</b>	<b>14,135,983</b>
<b>Total comprehensive income</b>	-	-	<b>39,201,582</b>	<b>14,135,983</b>	<b>53,337,565</b>
<b>As at 30 September 2022</b>	<b>200,000,000</b>	<b>9,588,006</b>	<b>101,164,060</b>	<b>13,148,206</b>	<b>323,900,272</b>
<b>For the nine-month period ended 30 September 2021:</b>					
<b>Balance as at 31 December 2020</b>	200,000,000	6,248,729	31,965,354	-	238,214,083
<b>Profit for the period</b>	-	-	24,087,244	-	24,087,244
<b>Other comprehensive loss</b>	-	-	-	(820,065)	(820,065)
<b>Total comprehensive income</b>	-	-	24,087,244	(820,065)	23,267,179
<b>As at 30 September 2021</b>	200,000,000	6,248,729	56,052,598	(820,065)	261,481,262

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

**TAAJEER FINANCE LEASE COMPANY**  
(A Saudi Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022**

	Note	<i>For the Nine-month period ended</i>	
		<i>30 September</i>	<i>30 September</i>
		<b>2022</b>	<b>2021</b>
		SR	SR
<b>OPERATING ACTIVITIES</b>			
Profit for the period		<b>39,201,582</b>	24,087,244
Adjustments for non-cash items:			
Zakat expense	7	<b>8,367,700</b>	4,618,373
Impairment of net investment in finance lease	5	<b>12,138,469</b>	17,549,869
Finance costs		<b>17,920,951</b>	18,340,137
Depreciation and amortization		<b>2,267,436</b>	1,971,055
Employee termination benefits incurred		<b>875,875</b>	516,118
Government grant income		<b>(2,856,978)</b>	(629,087)
Net gain on securitization of receivables	5	<b>(22,110,884)</b>	(33,743,687)
Net change in deferred consideration receivables	5	<b>(1,177,872)</b>	(746,267)
Net change in net servicing liability	5	<b>(11,832,296)</b>	(11,213,657)
		<b>42,793,983</b>	20,750,098
Changes in working capital:			
Prepayments and other receivables		<b>(1,391,090)</b>	(3,538,397)
Net investment in finance lease		<b>(100,208,662)</b>	(151,979,387)
Due from related parties		<b>(49,970,709)</b>	-
Vehicles available for lease		<b>(3,598,542)</b>	(1,783,804)
Trade and other payable		<b>36,262,837</b>	27,870,285
Due to related parties		<b>(13,714,300)</b>	(13,839,031)
Cash flows used in operations		<b>(89,826,483)</b>	(122,520,236)
Zakat Paid		<b>(6,613,740)</b>	(4,764,382)
Finance cost paid		<b>(16,049,144)</b>	(16,571,885)
Employee termination benefits paid		<b>(133,366)</b>	(312,571)
<b>Net cash flows used in operating activities</b>		<b>(112,622,733)</b>	(144,169,074)
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		<b>(1,805,063)</b>	(1,786,320)
Purchase of intangibles		<b>(50,502)</b>	(155,180)
<b>Net cash flows used in investing activities</b>		<b>(1,855,565)</b>	(1,941,500)
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans		<b>201,861,408</b>	245,460,000
Repayments of loans		<b>(88,893,816)</b>	(130,114,790)
<b>Net cash flows generated from financing activities</b>		<b>112,967,592</b>	115,345,210
<b>Net change in cash and banks</b>		<b>(1,510,706)</b>	(30,765,364)
Cash and banks at the beginning of the period		<b>100,676,369</b>	124,411,290
<b>CASH AND BANKS AT THE END OF THE PERIOD</b>		<b>99,165,663</b>	93,645,926
<b>NON-CASH TRANSACTIONS</b>			
Change in fair value of profit rate swap	8	<b>(14,135,983)</b>	820,065

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

## TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022

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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 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 2022, the Company operates through 6 branches (31 December 2021: 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 2022 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 (continued)****FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****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 2021.

**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 2022 are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2021, except for the following changes:

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

- Reference to Conceptual Framework (Amendments to IFRS 3).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

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

**5 NET INVESTMENT IN FINANCE LEASE**

	<i>30 September 2022</i>	<i>31 December 2021</i>
	<i>SR</i>	<i>SR</i>
Gross investment in finance lease	<b>1,271,779,123</b>	1,136,903,260
Less: unearned finance income	<b>(319,948,816)</b>	(287,463,510)
	<b>951,830,307</b>	849,439,750
Less: allowance for expected credit losses	<b>(47,264,191)</b>	(48,960,545)
Net investment in finance lease	<b>904,566,116</b>	800,479,205

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

	<i>For the nine- month period ended 30 September 2022</i>	<i>For the year ended 31 December 2021</i>
	<i>SR</i>	<i>SR</i>
At the beginning of the period / year	<b>48,960,545</b>	36,851,929
Write offs	<b>(13,103,194)</b>	(5,952,566)
Allowance related to derecognized receivables	<b>(731,629)</b>	(858,752)
Provided during the period / year	<b>12,138,469</b>	18,919,934
	<b>47,264,191</b>	48,960,545

**TAAJEER FINANCE LEASE COMPANY**

(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022**

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

**5.2 Ageing of gross finance lease receivables**

	<i>30 September 2022</i>	<i>31 December 2021</i>
	<i>SR</i>	<i>SR</i>
Not due	<b>1,234,292,271</b>	1,093,031,470
1 - 3 months over due	<b>9,391,549</b>	14,693,701
4 - 6 months over due	<b>5,275,141</b>	9,928,296
7 - 12 months over due	<b>11,822,763</b>	12,491,636
Over 12 months over due	<b>10,997,399</b>	6,758,157
	<b><u>1,271,779,123</u></b>	<b><u>1,136,903,260</u></b>

**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 2022 and 31 December 2021 is as follows:

	<i>30 September 2022</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>1,240,477,673</b>	<b>(315,621,167)</b>	<b>(43,139,421)</b>	<b>881,717,085</b>
Murabaha	<b>31,301,450</b>	<b>(4,327,649)</b>	<b>(4,124,770)</b>	<b>22,849,031</b>
	<b><u>1,271,779,123</u></b>	<b><u>(319,948,816)</u></b>	<b><u>(47,264,191)</u></b>	<b><u>904,566,116</u></b>
	<i>31 December 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	1,105,461,829	(282,967,477)	(44,741,386)	777,752,966
Murabaha	31,441,431	(4,496,033)	(4,219,159)	22,726,239
	<b><u>1,136,903,260</u></b>	<b><u>(287,463,510)</u></b>	<b><u>(48,960,545)</u></b>	<b><u>800,479,205</u></b>

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

	<i>30 September 2022</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 years</i>	<i>SR</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Gross investment in finance lease	<b>461,965,819</b>	<b>449,818,145</b>	<b>359,995,159</b>	<b>1,271,779,123</b>
Less: unearned finance income	<b>(178,730,745)</b>	<b>(108,294,853)</b>	<b>(32,923,218)</b>	<b>(319,948,816)</b>
Net investment in finance lease	<b><u>283,235,074</u></b>	<b><u>341,523,292</u></b>	<b><u>327,071,941</u></b>	<b><u>951,830,307</u></b>

**TAAJEER FINANCE LEASE COMPANY**

(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)****FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****5 NET INVESTMENT IN FINANCE LEASE (continued)****5.4 Maturity analysis of investment in finance lease is as follows (continued):**

	<i>31 December 2021</i>			<i>Total</i>
	<i>Within 1 year</i>	<i>Non-current</i>		
		<i>1 to 3 years</i>	<i>Over 3 year</i>	
		<i>SR</i>	<i>SR</i>	
Gross investment in finance lease	425,509,974	366,034,855	345,358,431	1,136,903,260
Less: unearned finance income	(111,700,108)	(123,642,062)	(52,121,340)	(287,463,510)
Net investment in finance lease	<u>313,809,866</u>	<u>242,392,793</u>	<u>293,237,091</u>	<u>849,439,750</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 2022, the Company sold SR 115.4 million (30 September 2021: SR 140.93 million) of its Receivables and the total amount received from the banks in respect of such sale was SR 126.1 million (30 September 2021: SR 187.76 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).
- 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 2022, the Company recognized a net gain amounting to SR 22.1 million (30 September 2021: SR 33.7 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:

**TAAJEER FINANCE LEASE COMPANY**

(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)****FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****5 NET INVESTMENT IN FINANCE LEASE (continued)****5.5 Securitized receivables (continued)**

	<i>30 September</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
Present value of deferred consideration receivable	<b>69,165,240</b>	55,999,911
Less: allowance for expected defaults	<b>(12,373,043)</b>	(9,929,558)
Net deferred consideration receivable	<b>56,792,197</b>	46,070,353

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</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
Present value of servicing asset	<b>18,646,916</b>	18,960,513
Less: Present value of servicing liability	<b>(27,203,207)</b>	(35,899,294)
Net servicing liability	<b>(8,556,291)</b>	(16,938,781)

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 4.50% to 7.58% (2021: 4.84% to 7.58%).

**6 TRADE AND OTHER PAYABLE**

	<i>30 September</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
Payables to suppliers of vehicles	<b>69,864,395</b>	65,938,291
Payable under purchase and agency agreement (Note 5)	<b>111,882,515</b>	76,832,531
Accrued expenses	<b>7,845,227</b>	8,490,026
Advance from customers	<b>6,065,781</b>	7,773,787
Other payables	<b>10,162,691</b>	8,651,330
	<b>205,820,609</b>	167,685,965

**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 profit or loss:

	<i>For the nine-month period ended</i>	
	<i>30 September</i>	<i>30 September</i>
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
Current zakat charges for the period	<b>4,756,928</b>	4,618,373
Charge related to prior periods	<b>3,610,772</b>	-
	<b>8,367,700</b>	4,618,373

**TAAJEER FINANCE LEASE COMPANY**

(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)****FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****7 ZAKAT PAYABLE (continued)**

The movement in the zakat payable is as follows:

	<i>For the Nine- month period ended 30 September 2022</i>	<i>For the year ended 31 31 December</i>
	<i>SR</i>	<i>SR</i>
At the beginning of the period / year	<b>3,002,968</b>	4,652,343
Charge for the period / year	<b>8,367,700</b>	3,115,007
Payments	<b>(6,613,740)</b>	(4,764,382)
	<b>4,756,928</b>	3,002,968

**Status of certificates and assessments:**

The Company finalized its zakat assessments with the Zakat, Tax and Customs Authority (ZATCA), for all years from inception up to 2018. The zakat returns for the years 2019, 2020 and 2021 are still under review by ZATCA.

**8 LOANS**

The loans comprise the following:

	<i>30 September 2022</i>	<i>31 December 2021</i>
	<i>SR</i>	<i>SR</i>
Commercial loans (see note (a) below)	<b>487,899,555</b>	416,934,326
Governmental loans (see note (b) below)	<b>73,714,230</b>	52,568,845
Loan from other financial institution (see note (c) below)	<b>54,000,000</b>	36,000,000
	<b>615,613,785</b>	505,503,171

**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 investment in finance lease. Commercial loans as at 30 September, 2022 are presented net of a compensating balance of SR 19,654,083 (31 December 2021 : SR 19,539,999).

**b) Governmental loan**

The Company has obtained loans at below-market interest rate 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% - 6% 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) Loans from other financial institution**

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

**Profit rate swap**

The Company has entered into a profit rate swap contract (the "Contract") with a local banks to manage exposure to profit rate fluctuations. The notional amount of the Contract as at 30 September 2022 is SR 301 million (31 December 2021 :SR 368 million).

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

**TAAJEER FINANCE LEASE COMPANY**

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022**

**9 OTHER OPERATING INCOME-NET**

	<i>For the nine-month period ended</i>	
	<i>30 September</i>	<i>30 September</i>
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
Administrative fee income	3,186,654	4,201,509
Insurance (paid)/reimbursed, net	(1,547,783)	88,126
Rebate on purchase of vehicles	23,119,904	15,123,573
Recoveries of amounts previously written off	1,679,412	-
Other	3,280,467	1,757,707
	<b>29,718,654</b>	<b>21,170,915</b>

**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</i>	<i>30 September</i>
		<i>2022</i>	<i>2021</i>
		<i>SR</i>	<i>SR</i>
Sister companies	Purchase of Vehicles	99,865,711	141,915,854
	Vehicle maintenance	646,611	289,268
	Debt collection Services	2,653,099	1,678,575
Other	Loan from a related party	54,000,000	36,000,000
	Interest on Loan from a related party	952,306	1,875,000

**Due from related parties comprise the following:**

	<i>30 September</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
Taajeer Group	36,720	144,689
Taajeer International Company Limited	50,078,678	-
	<b>50,115,398</b>	<b>144,689</b>

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

	<i>30 September</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
Taajeer International Company Limited	-	14,334,757
Taajeer National Company for Maintenance and Integrated Services	1,057,636	437,179
	<b>1,057,636</b>	<b>14,771,936</b>

**Loans from a related party comprise the following:**

	<i>30 September</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
Al Awwal Capital (see note (a) below)	54,000,000	36,000,000

a) The loans from a related party is presented under loans (see note 8).

**TAAJEER FINANCE LEASE COMPANY**

(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)****FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****10 RELATED PARTY DISCLOSURES (continued)****Compensation of key management personnel of the Company**

	<i>For the nine-month period ended</i>	
	<i>30 September 2022</i>	<i>30 September 2021</i>
	<i>SR</i>	<i>SR</i>
Short term employee benefits	<b>3,070,222</b>	3,511,646
Termination benefits	<b>649,701</b>	642,012
Total compensation of key management personnel	<b>3,719,923</b>	4,153,658

**11 COMMITMENTS AND CONTINGENCIES**

As at 30 September 2022 and 31 December 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 IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS**

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are beginning to experience a new wave of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the effective measures taken by the Government.

The Company continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the problems effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. This has entailed reviewing specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required.

The prevailing economic conditions post lock down, do require the Company to continue to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These primarily revolve around either adjusting macroeconomic factors used by the Company in the estimation of ECL or revisions to the scenario probabilities currently being used by the Company in ECL estimation. During the year, the Company has made certain adjustment to scenario weightings and macroeconomic factors used by the Company in the estimation of expected credit losses.

The Company's ECL model continues to be sensitive to macroeconomic variables and scenario weightings. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental and the Company will continue to reassess its position and the related impact on a regular basis.

## TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

#### FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022

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### 13 IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS (continued)

#### SAMA support programs and initiatives

##### Private Sector Financing Support Program ("PSFSP")

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro, Small and Medium Enterprises ("MSMEs") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

As part of the deferred payments program launched by SAMA in March 2020, the Company is required to defer payments on financing facilities to those companies that qualify as SMEs. The payment reliefs are considered as short-term liquidity support to address the borrower's potential cash flow issues. The Company has effected the payment reliefs by deferring the instalments falling due within the period from March 2020 to September 2020 for a period of six months, and from October 2020 to December 2020 for the three months, and from January 2021 to March 2021 for three months period. The accounting impact of these changes in terms of the credit facilities has been assessed and were treated as per the requirements of IFRS 9 as modification in terms of arrangement.

In order to compensate the related cost that the Company is expected to incur under the SAMA program, the Company received SR 7.5 million, SR 5.7 million and SR 8.8 million of profit free loan from SAMA during the years 2020, 2021 and 2022. The amount was due to be repaid to SAMA over 1.5 year in equal monthly instalments, with initial grace period of 6 months. During 2021, SAMA issued guidelines to management for deferment of loan payment till maturity i.e. to pay one time full amount on maturity date. Details of the amount received from SAMA are as follows:

- In 2020, an amount of SR 7.5 million, received against net investment in finance lease, has been recognized as "government loan" and accordingly, the Company has recognized an amount of SR 333 thousand as grant income to offset the modification losses for which the grant has been provided by SAMA (note 8).
- In 2021, an amount of SR 5.7 million, received against net investment in finance lease, has been recognized as "government loan" and accordingly, the Company has recognized an amount of SR 298 thousand as grant income to offset the modification losses for which the grant has been provided by SAMA (note 8).
- During the first nine-month period of 2022, an amount of SR 8.8 million, received against net investment in finance lease, has been recognized as "government loan" and accordingly, the Company has recognized an amount of SR 415 thousand as grant income to offset the modification losses for which the grant has been provided by SAMA (note 8).

The Company had received additional profit free loan from SAMA amounting to SR 10 million with a tenure of 30 months under the funding for lending program with a grace period of 6 months for repayment in 2020. The benefit of the interest free-loan has been accounted for on a systematic basis, in accordance with government grant accounting requirements.

### 14 DATE OF AUTHORIZATION

These interim condensed financial statements were authorized for issue by the Company's board of directors on 26 October 2022 corresponding to 1 Rabi' al Thani 1444H.