

TAAJEER FINANCE LEASE COMPANY
(A Saudi Closed Joint Stock Company)
**INTERIM CONDENSED FINANCIAL STATEMENTS AND
REVIEW REPORT**
**FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2023**

TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

**INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

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INDEPENDENT AUDITOR'S REVIEW REPORT**TO THE SHAREHOLDERS OF 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 2023, the related interim condensed statements of profit or loss and other comprehensive income, 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*

Jeddah, Kingdom of Saudi Arabia

Bader Hatim Al Tamimi

License No. 489

17 Shawwal 1444H

Corresponding to 7 May 2023



TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**AS AT 31 MARCH 2023**

	Note	As At	
		31 March	31 December
		2023	2022
		SR	SR
ASSETS			
Cash and cash equivalents		297,907,185	271,696,737
Prepayments and other receivables		50,988,527	15,998,206
Net investment in finance lease	5	882,836,984	960,000,474
Net deferred consideration receivable	5	60,095,152	58,614,490
Due from related parties	11	19,881,880	20,959,730
Vehicles available for lease		3,377,781	1,323,348
Equity investments at FVTOCI		892,850	892,850
Profit rate swap contract asset	8	10,888,512	13,332,623
Property and equipment		4,618,313	4,516,279
Intangible assets		1,718,649	1,970,066
TOTAL ASSETS		1,333,205,833	1,349,304,803
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Trade and other payables	6	192,755,388	195,592,510
Due to a related party	11	19,728	1,316,957
Zakat payable	7	10,782,073	8,982,073
Net servicing liability	5	3,603,031	6,371,220
Loans	8	570,593,101	597,246,595
Employee termination benefits		4,268,954	3,682,652
TOTAL LIABILITIES		782,022,275	813,192,007
SHAREHOLDERS' EQUITY			
Share capital	9	500,000,000	200,000,000
Proposed capital	9	-	300,000,000
Statutory reserve		14,715,637	14,715,637
Retained earnings		25,579,409	8,064,536
Profit rate hedge reserve		10,888,512	13,332,623
TOTAL SHAREHOLDERS' EQUITY		551,183,558	536,112,796
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,333,205,833	1,349,304,803

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 PERIOD ENDED 31 MARCH 2023**

	Note	<i>For the Three-month period ended 31 March</i>	
		2023	2022
		SR	SR
Finance income		22,272,861	17,818,172
Finance costs		(10,458,161)	(5,492,213)
Net finance income		11,814,700	12,325,959
Net gain on securitization of receivables	5	7,310,867	18,687,620
Net change in deferred consideration receivables	5	2,402,081	(2,923,765)
Net change in net servicing liability	5	3,572,537	3,811,755
Other operating income, net	10	11,449,499	4,747,309
Government grant income		-	1,031,233
Selling and marketing expenses		(5,557,807)	(1,439,044)
General and administrative expenses		(10,392,748)	(10,539,268)
(Reversal) / Impairment of net investment in finance lease	5	1,480,082	(9,699,884)
Other operating expenses		(2,764,338)	(3,850,085)
Operating profit		19,314,873	12,151,830
Zakat	7	(1,800,000)	(1,706,932)
Profit for the period		17,514,873	10,444,898
Other Comprehensive Income (OCI)			
<i>OCI that may be reclassified to profit or loss in subsequent periods:</i>			
Change in fair value of profit rate swap	8	(2,444,111)	3,882,659
Other comprehensive (loss) / income for the period		(2,444,111)	3,882,659
Total comprehensive income for the period		15,070,762	14,327,557
Earnings per share:			
Basic and diluted earnings per share	14	0.35	0.35
Average number of shares outstanding	14	50,000,000	30,000,000

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 THREE-MONTH PERIOD ENDED 31 MARCH 2023

	<i>Note</i>	<i>Share capital</i>	<i>Proposed capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Profit rate hedge reserve</i>	<i>Total equity</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
For the three-month period ended 31 March 2023:							
Balance as at 31 December 2022	9	200,000,000	300,000,000	14,715,637	8,064,536	13,332,623	536,112,796
Profit for the period		-	-	-	17,514,873	-	17,514,873
Other comprehensive loss		-	-	-	-	(2,444,111)	(2,444,111)
Total comprehensive income		-	-	-	17,514,873	(2,444,111)	15,070,762
Capital increase	9	300,000,000	(300,000,000)	-	-	-	-
As at 31 March 2023		500,000,000	-	14,715,637	25,579,409	10,888,512	551,183,558
For the three-month period ended 31 March 2022:							
Balance as at 31 December 2021		200,000,000	-	9,588,006	61,962,478	(987,777)	270,562,707
Profit for the period		-	-	-	10,444,898	-	10,444,898
Other comprehensive income		-	-	-	-	3,882,659	3,882,659
Total comprehensive income		-	-	-	10,444,898	3,882,659	14,327,557
As at 31 March 2022		200,000,000	-	9,588,006	72,407,376	2,894,882	284,890,264

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 THREE-MONTH PERIOD ENDED 31 MARCH 2023**

	Note	<i>For the Three-month period ended</i>	
		<i>31 March</i>	<i>31 March</i>
		2023	2022
		SR	SR
OPERATING ACTIVITIES			
Profit for the period		17,514,873	10,444,898
Adjustments for non-cash items:			
Zakat expense	7	1,800,000	1,706,932
(Reversal) / Impairment of net investment in finance lease	5	(1,480,082)	9,699,884
Finance costs		10,458,161	5,492,213
Depreciation and amortization		786,012	708,345
Employee termination benefits incurred		630,177	356,772
Government grant income		-	(1,031,233)
Net gain on securitization of receivables	5	(7,310,867)	(18,687,620)
Net change in deferred consideration receivables	5	(2,402,081)	2,923,765
Net change in net servicing liability	5	(3,572,537)	(3,811,755)
		16,423,656	7,802,201
Changes in working capital:			
Prepayments and other receivables		(34,990,321)	3,805,702
Net investment in finance lease		87,680,206	33,393,979
Due from related parties		1,077,850	(109,995)
Vehicles available for lease		(2,054,433)	(24,904)
Trade and other payables		(3,407,905)	(9,828,525)
Due to a related party		(1,297,229)	7,170,188
Cash generated from operations		63,431,824	42,208,646
Zakat Paid		-	(6,103,758)
Finance cost paid		(9,887,378)	-
Employee termination benefits paid		(43,875)	(25,709)
Net cash flows generated from operating activities		53,500,571	36,079,179
INVESTING ACTIVITIES			
Purchase of property and equipment		(636,629)	(359,634)
Purchase of intangibles		-	(442,789)
Net cash flows used in investing activities		(636,629)	(802,423)
FINANCING ACTIVITIES			
Proceeds from loans		23,000,000	25,724,832
Repayments of loans		(49,653,494)	(68,123,817)
Net cash flows used in financing activities		(26,653,494)	(42,398,985)
Net change in Cash and cash equivalents		26,210,448	(7,122,229)
Cash and cash equivalents at the beginning of the period		271,696,737	100,676,369
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		297,907,185	93,554,140
NON-CASH TRANSACTIONS			
Change in fair value of profit rate swap	8	2,444,111	(3,882,659)

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 THREE-MONTH PERIOD ENDED 31 MARCH 2023

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 31 March 2023, the Company operates through 6 branches (31 December 2022: 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 three-month period ended 31 March 2023 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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

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 2022.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2022

Other Standards, amendments or interpretations

The following standards, amendments or interpretations effective for annual periods beginning on or after 1 January 2023, did not have a significant impact on the Company's interim condensed financial statements:

Standard, interpretation, amendments

Description

Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
Amendment to IAS 12-deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
Definition of Accounting Estimates – Amendments to IAS 8	The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

TAAJEER FINANCE LEASE COMPANY

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023****5 NET INVESTMENT IN FINANCE LEASE**

	<i>31 March</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
Gross investment in finance lease	1,254,548,376	1,354,722,038
Less: unearned finance income	(335,821,916)	(352,078,123)
	918,726,460	1,002,643,915
Less: allowance for expected credit losses	(35,889,476)	(42,643,441)
Net investment in finance lease	882,836,984	960,000,474

5.1 Movement in allowance for expected credit losses

	<i>For the three-</i>	<i>For the year</i>
	<i>month period</i>	<i>ended 31</i>
	<i>ended 31 March</i>	<i>December 2022</i>
	<i>2023</i>	<i>December 2022</i>
	<i>SR</i>	<i>SR</i>
At the beginning of the period / year	42,643,441	48,960,545
Write offs	(4,630,731)	(18,834,925)
Derecognized	(643,152)	(731,629)
(Reversal) / impairment during the period / year	(1,480,082)	13,249,450
	35,889,476	42,643,441

5.2 Ageing of gross finance lease receivables

	<i>31 March</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
Not due	1,224,216,787	1,303,198,591
1 - 3 months over due	5,810,492	24,164,445
4 - 6 months over due	6,031,828	10,398,969
7 - 12 months over due	9,944,052	8,239,173
Over 12 months over due	8,545,217	8,720,860
	1,254,548,376	1,354,722,038

TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
5 NET INVESTMENT IN FINANCE LEASE (CONTINUED)
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 31 March 2023 and 31 December 2022 is as follows:

<i>31 March 2023</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	1,228,355,003	(332,402,861)	(31,252,307)	864,699,835
Murabaha	26,193,373	(3,419,055)	(4,637,169)	18,137,149
	1,254,548,376	(335,821,916)	(35,889,476)	882,836,984
<i>31 December 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	1,326,260,111	(348,263,073)	(38,261,762)	939,735,276
Murabaha	28,461,927	(3,815,050)	(4,381,679)	20,265,198
	1,354,722,038	(352,078,123)	(42,643,441)	960,000,474

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

<i>31 March 2023</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	426,261,067	490,850,180	337,437,129	1,254,548,376
Less: unearned finance income	(116,665,905)	(192,618,604)	(26,537,407)	(335,821,916)
Net investment in finance lease	309,595,162	298,231,576	310,899,722	918,726,460
<i>31 December 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 year</i>	<i>SR</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Gross investment in finance lease	557,148,445	450,291,259	347,282,334	1,354,722,038
Less: unearned finance income	(136,915,916)	(156,125,260)	(59,036,947)	(352,078,123)
Net investment in finance lease	420,232,529	294,165,999	288,245,387	1,002,643,915

TAAJEER FINANCE LEASE COMPANY

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023****5 NET INVESTMENT IN FINANCE LEASE (continued)****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 three-months period ended 31 March 2023, the Company sold SR 106.6 million (31 March 2022: SR 80.5 million) of its Receivables and the total amount received from the banks in respect of such sale was SR 100 million (31 March 2022: SR 99 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 Three-months period ended 31 March 2023, the Company recognized a net gain amounting to SR 7.3 million (31 March 2022: SR 18.7 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:

	<i>31 March</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
Present value of deferred consideration receivable	79,105,343	70,192,676
Less: allowance for expected defaults	(19,010,191)	(11,578,186)
Net deferred consideration receivable	<u>60,095,152</u>	<u>58,614,490</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:

TAAJEER FINANCE LEASE COMPANY

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023****5 NET INVESTMENT IN FINANCE LEASE (CONTINUED)****5.5 Securitized receivables (continued)**

	<i>31 March</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
Present value of servicing asset	17,731,385	16,935,390
Less: Present value of servicing liability	(21,334,416)	(23,306,610)
Net servicing liability	(3,603,031)	(6,371,220)

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% (2022: 4.5% to 7.58%).

6 TRADE AND OTHER PAYABLES

	<i>31 March</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
Payable to suppliers of vehicles	93,718,851	64,911,742
Payable under purchase and agency agreement (note 5)	83,412,532	103,039,148
Accrued expenses	9,449,557	11,144,937
Advance from customers	5,415,714	7,200,363
Other payables	758,734	9,296,320
	192,755,388	195,592,510

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 three-month period ended</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
Current zakat charges	1,800,000	1,706,932

The movement in the zakat payable is as follows:

	<i>For the Three-month period ended 31 March</i>	<i>For the year ended 31</i>
	<i>March 2023</i>	<i>December 2022</i>
	<i>SR</i>	<i>SR</i>
At the beginning of the period / year	8,982,073	3,002,968
Charge for the period / year	1,800,000	12,592,845
Payments	-	(6,613,740)
	10,782,073	8,982,073

TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023****7 ZAKAT PAYABLE (CONTINUED)****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, 2021 and 2022 are still under review by ZATCA.

8 LOANS

The loans comprise the following:

	<i>31 March 2023</i>	<i>31 December 2022</i>
	<i>SR</i>	<i>SR</i>
Commercial loans (see note (a) below)	416,321,653	451,003,204
Governmental loans (see note (b) below)	77,271,448	92,243,391
Loan from other financial institution (see note (c) below)	77,000,000	54,000,000
	570,593,101	597,246,595

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 31 March 2023 are presented net of a compensating balance of SR 19,715,999 (31 December 2022 : SR 19,654,083).

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% - 7.5% 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 (note 11).

Profit rate swap

The Company has entered into a profit rate swap (the "Contract") with local banks to manage exposure to profit rate fluctuations. The notional amount of the Contract as at 31 March 2023 is SR 261 million (31 December 2022 :SR 279 million).

The Company has accounted for the contract as an effective cash flow hedge. Accordingly, the Company recorded the change in the fair value of the contract through other comprehensive income.

TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023****9 SHARE CAPITAL**

The capital of the Company as at 31 March 2023 comprised 50,000,000 shares (31 December 2022: 20,000,000 shares) stated at SR 10 per share. The shareholders of the Company as at 31 March 2023 and 31 December 2022 and their respective shareholding is as follows:

	31 March 2023	31 December 2022
	SR	SR
Al Ahdaf Al Mumaizah Company	480,000,000	192,000,000
Taajeer Gulf Company	5,000,000	2,000,000
Taajeer Global Company	5,000,000	2,000,000
Taajeer International Company	5,000,000	2,000,000
Taajeer National Company for Auto Maintenance and Integrated Service Limited	5,000,000	2,000,000
	500,000,000	200,000,000

On 5 January 2023, the Company completed legal procedures for the capital increase and transferred SR 300 millions from proposed capital to share capital.

10 OTHER OPERATING INCOME-NET

	<i>For the three-month period ended</i>	
	<i>31 March 2023</i>	<i>31 March 2022</i>
	SR	SR
Administrative fee income	1,006,246	1,147,990
Insurance reimbursed / (paid), net	2,120,304	(1,772,447)
Rebate on purchase of vehicles	7,873,909	4,356,202
Other	449,040	1,015,564
	11,449,499	4,747,309

11 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 period ended</i>	
		<i>31 March 2023</i>	<i>31 March 2022</i>
		SR	SR
Shareholders			
Taajeer International Company	Purchase of Vehicles	26,318,235	38,926,467
Taajeer National Company	Vehicle maintenance	541,574	108,732
Sisters companies			
Awaed Arabia Company	Debt collection Services	-	1,311,455
Other			
Alawal Capital Company	Loans obtained	23,000,000	-
	Interest charge	1,098,553	187,500

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023****11 RELATED PARTY DISCLOSURES (CONTINUED)****Due from related parties comprise the following:**

	31 March 2023	31 December 2022
	SR	SR
Taajeer Group	74,118	-
Taajeer International Company	19,807,762	20,959,730
	19,881,880	20,959,730

Due to a related party comprise the following:

	31 March 2023	31 December 2022
	SR	SR
Taajeer National Company	19,728	1,316,957
	19,728	1,316,957

Loans from a related party comprise the following:

	31 March 2023	31 December 2022
	SR	SR
Al Awwal Capital (see note (a) below)	77,000,000	54,000,000

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

Compensation of key management personnel of the Company

	<i>For the three-month period ended</i>	
	31 March 2023	31 March 2022
	SR	SR
Short term employee benefits	2,065,369	1,271,955
Termination benefits	507,232	594,133
Total compensation of key management personnel	2,572,601	1,866,088

12 COMMITMENTS AND CONTINGENCIES

As at 31 March 2023, the Company had no contingent liabilities and commitments (2022:Nil).

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

14 EARNINGS PER SHARE

The basic and diluted earnings per share from net profit is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of shares outstanding during the comparative period has been adjusted as a result of the increase in capital by transferring SR 100 millions from retained earnings during the current period.

There was no dilutive component affecting the weighted average number of ordinary shares.

15 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.

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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023****15 IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS (CONTINUED)****SAMA support programs and initiatives (continued)****Private Sector Financing Support Program ("PSFSP") (continued)**

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

- 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 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 year ended 31 December 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).

16 PROSPECTIVE CHANGES TO THE INTERNATIONAL FINANCIAL REPORTING FRAMEWORK

The Company has chosen not to early adopt the following new standards and amendments to IFRS which have been issued but not yet effective for the Company's accounting year beginning on or after 1 January 2024. The standards and amendments, when applicable, will not have any material impact to the Company Financial Statements

Standard, interpretation,**amendments****Description**

Amendments to IAS 1, Presentation of financial statements', on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).

The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Note that the IASB has issued a new exposure draft proposing changes to this amendment.

Amendments to IFRS 10 and IAS 28

Sale or contribution of Assets between an Investor and its Associate or Joint Ventures

Amendment to IFRS 16, Lease Liability in a Sale and Leaseback

Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

16 PROSPECTIVE CHANGES TO THE INTERNATIONAL FINANCIAL REPORTING FRAMEWORK (CONTINUED)

Standard, interpretation,

amendments

Description

Amendments to IAS 1, Non-current Liabilities with Covenants

Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.

17 DATE OF AUTHORIZATION

These interim condensed financial statements were authorized for issue by the Company's board of directors on 4 May 2023 corresponding to 14 Shawwal 1444H.