

TAAJEER FINANCE LEASE COMPANY
(A Saudi Closed Joint Stock Company)
**INTERIM CONDENSED FINANCIAL STATEMENTS AND
REVIEW REPORT**
**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
30 JUNE 2023**

TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the shareholders

Taajeer Finance Lease Company

(A Saudi Closed Joint Stock Company)

Jeddah, Kingdom of Saudi Arabia

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 2023, the related interim condensed statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended, the interim condensed statements of changes in shareholders' equity and cash flows for the six-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



Bader Hatim Al Tamimi

License No. 489

Jeddah on 9 Muharram 1445H

Corresponding to 27 July 2023



TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**AS AT 30 JUNE 2023**

	Note	As At	
		30 June	31 December
		2023	2022
		SR	SR
ASSETS			
Cash and cash equivalents		244,196,451	271,696,737
Prepayments and other receivables		20,922,681	15,998,206
Net investment in finance lease	5	933,504,825	960,000,474
Net deferred consideration receivable	5	63,360,661	58,614,490
Due from related parties	11	19,372,293	20,959,730
Vehicles available for lease		3,125,243	1,323,348
Equity investments at FVTOCI		892,850	892,850
Profit rate swap contract asset	8	11,355,660	13,332,623
Property and equipment		4,307,440	4,516,279
Intangible assets		1,467,232	1,970,066
TOTAL ASSETS		1,302,505,336	1,349,304,803
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Trade and other payables	6	170,411,368	195,592,510
Due to a related party	11	19,728	1,316,957
Zakat payable	7	3,408,183	8,982,073
Net servicing liability	5	1,989,205	6,371,220
Bank overdraft		1,498,855	-
Loans	8	556,299,915	597,246,595
Employee termination benefits		4,496,116	3,682,652
TOTAL LIABILITIES		738,123,370	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		38,310,669	8,064,536
Profit rate hedge reserve		11,355,660	13,332,623
TOTAL SHAREHOLDERS' EQUITY		564,381,966	536,112,796
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,302,505,336	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 AND SIX-MONTH PERIODS ENDED 30 JUNE 2023**

	Note	<i>For the Three-month period ended 30 June</i>		<i>For the Six-month period ended 30 June</i>	
		2023	2022	2023	2022
		SR	SR	SR	SR
Finance income		24,188,385	20,447,330	46,461,246	38,265,502
Finance costs		(7,830,057)	(6,122,677)	(18,288,218)	(11,614,890)
Net finance income		16,358,328	14,324,653	28,173,028	26,650,612
Net gain on securitization of receivables	5	-	3,423,264	15,443,144	22,110,884
Net change in deferred consideration receivables		2,987,241	1,776,948	5,389,322	(1,146,817)
Net change in net servicing liability		3,576,680	4,000,871	7,149,217	7,812,626
Other operating income, net	10	14,308,420	8,825,727	25,757,919	13,573,036
Government grant income		-	427,579	-	1,458,812
Selling and marketing expenses		(4,774,298)	(5,424,819)	(10,332,105)	(5,965,496)
General and administrative expenses		(8,226,582)	(8,537,664)	(18,619,330)	(19,975,299)
Impairment of net investment in finance lease	5	(7,145,657)	2,225,771	(13,797,852)	(7,474,113)
Other operating expenses		(1,879,251)	(3,693,607)	(4,643,589)	(7,543,692)
Operating profit		15,204,881	17,348,723	34,519,754	29,500,553
Zakat	7	(2,473,621)	(4,853,895)	(4,273,621)	(6,560,827)
Profit for the period		12,731,260	12,494,828	30,246,133	22,939,726
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	467,148	6,715,764	(1,976,963)	10,598,423
Other comprehensive (loss) / income for the period		467,148	6,715,764	(1,976,963)	10,598,423
Total comprehensive income for the period		13,198,408	19,210,592	28,269,170	33,538,149
Earnings per share:					
Basic and diluted earnings per share	14	0.25	0.42	0.60	0.76
Average number of shares outstanding	14	50,000,000	30,000,000	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 SIX-MONTH PERIOD ENDED 30 JUNE 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</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
For the six-month period ended 30 June 2023:							
Balance as at 1 January 2023	9	200,000,000	300,000,000	14,715,637	8,064,536	13,332,623	536,112,796
Profit for the period		-	-	-	30,246,133	-	30,246,133
Other comprehensive loss		-	-	-	-	(1,976,963)	(1,976,963)
Total comprehensive income		-	-	-	30,246,133	(1,976,963)	28,269,170
Capital increase	9	300,000,000	(300,000,000)	-	-	-	-
As at 30 June 2023		500,000,000	-	14,715,637	38,310,669	11,355,660	564,381,966
For the six-month period ended 30 June 2022:							
Balance as at 1 January 2022		200,000,000	-	9,588,006	61,962,478	(987,777)	270,562,707
Profit for the period		-	-	-	22,939,726	-	22,939,726
Other comprehensive income		-	-	-	-	10,598,423	10,598,423
Total comprehensive income		-	-	-	22,939,726	10,598,423	33,538,149
As at 30 June 2022		200,000,000	-	9,588,006	84,902,204	9,610,646	304,100,856

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 SIX-MONTH PERIOD ENDED 30 JUNE 2023

	Note	<i>For the six-month period ended</i>	
		<i>30 June</i>	<i>30 June</i>
		2023	2022
		SR	SR
OPERATING ACTIVITIES			
Profit for the period		30,246,133	22,939,726
Adjustments for non-cash items:			
Zakat expense	7	4,273,621	6,560,827
Impairment of net investment in finance lease	5	13,797,852	7,474,113
Finance costs		18,288,218	11,614,890
Depreciation and amortization		1,584,298	1,479,683
Employee termination benefits incurred		1,049,825	636,355
Government grant income		-	(1,458,812)
Net gain on securitization of receivables	5	(15,443,144)	(22,110,884)
Net change in deferred consideration receivables		(5,389,322)	1,146,817
Net change in net servicing liability		(7,149,217)	(7,812,626)
		41,258,264	20,470,089
Changes in working capital:			
Prepayments and other receivables		(4,924,475)	(3,033,102)
Net investment in finance lease		31,551,294	(25,288,673)
Due from related parties		1,587,437	(5,994,241)
Vehicles available for lease		(1,801,895)	(3,083,912)
Trade and other payables		(22,835,031)	41,107,692
Due to a related party		(1,297,229)	(14,122,851)
Cash generated from operations		43,538,365	10,055,002
Zakat Paid		(9,847,511)	(6,613,740)
Finance cost paid		(20,634,329)	(11,465,459)
Employee termination benefits paid		(236,361)	(133,366)
Net cash flows generated from / (used in) operating activities		12,820,164	(8,157,563)
INVESTING ACTIVITIES			
Purchase of property and equipment		(872,625)	(475,638)
Purchase of intangibles		-	(1,251,995)
Net cash flows used in investing activities		(872,625)	(1,727,633)
FINANCING ACTIVITIES			
Net change in bank overdraft		1,498,855	-
Proceeds from loans		115,000,000	28,861,408
Repayments of loans		(155,946,680)	(52,438,927)
Net cash flows used in financing activities		(39,447,825)	(23,577,519)
Net change in Cash and cash equivalents		(27,500,286)	(33,462,715)
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		244,196,451	67,213,654
NON-CASH TRANSACTIONS			
Change in fair value of profit rate swap	8	1,976,963	(10,598,423)

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 SIX-MONTH PERIOD ENDED 30 JUNE 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 30 June 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 six-month period ended 30 June 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 Saudi 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 SIX-MONTH PERIOD ENDED 30 JUNE 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 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, and amendments	Description
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	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 give rise to equal amounts of taxable and deductible temporary differences.
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

(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023****5 NET INVESTMENT IN FINANCE LEASE**

	<i>30 June</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
Gross investment in finance lease	1,322,580,447	1,354,722,038
Less: unearned finance income	(349,525,499)	(352,078,123)
	973,054,948	1,002,643,915
Less: allowance for expected credit losses	(39,550,123)	(42,643,441)
Net investment in finance lease	933,504,825	960,000,474

5.1 Movement in allowance for expected credit losses

	<i>For the six-month period ended 30 June 2023</i>	<i>For the year ended 31 December 2022</i>
	<i>SR</i>	<i>SR</i>
At the beginning of the period / year	42,643,441	48,960,545
Impairment during the period / year	13,797,852	13,249,450
Write offs	(8,394,010)	(18,834,925)
Derecognized	(8,497,160)	(731,629)
	39,550,123	42,643,441

5.2 Ageing of gross finance lease receivables

	<i>30 June</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
Not due	1,289,335,995	1,303,198,591
1 - 3 months over due	7,497,954	24,164,445
4 - 6 months over due	5,935,562	10,398,969
7 - 12 months over due	11,622,739	8,239,173
Over 12 months over due	8,188,197	8,720,860
	1,322,580,447	1,354,722,038

TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 30 June 2023 and 31 December 2022 is as follows:

		<i>30 June 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		1,298,563,691	(346,849,156)	(31,464,851)	920,249,684
Murabaha		24,016,756	(2,676,343)	(8,085,272)	13,255,141
		<u>1,322,580,447</u>	<u>(349,525,499)</u>	<u>(39,550,123)</u>	<u>933,504,825</u>
		<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
		<u>1,354,722,038</u>	<u>(352,078,123)</u>	<u>(42,643,441)</u>	<u>960,000,474</u>

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

		<i>30 June 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 years</i>	<i>SR</i>
Gross investment in finance lease		460,901,224	462,016,466	399,662,757	1,322,580,447
Less: unearned finance income		(121,804,863)	(187,835,850)	(39,884,786)	(349,525,499)
Net investment in finance lease		<u>339,096,361</u>	<u>274,180,616</u>	<u>359,777,971</u>	<u>973,054,948</u>
		<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 years</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		<u>420,232,529</u>	<u>294,165,999</u>	<u>288,245,387</u>	<u>1,002,643,915</u>

TAAJEER FINANCE LEASE COMPANY

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 six-month period ended 30 June 2023, the Company sold SR 98.8 million (30 June 2022: SR 115.4 million) of its Receivables and the total amount received from the banks in respect of such sale was SR 90 million (30 June 2022: SR 126.1 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 Agreements:

- 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 Six-month period ended 30 June 2023, the Company recognized a net gain amounting to SR 15.4 million (30 June 2022: SR 22.1 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>30 June</i> <i>2023</i>	<i>31 December</i> <i>2022</i>
	<u>SR</u>	<u>SR</u>
Present value of deferred consideration receivable	80,275,894	70,192,676
Less: allowance for expected defaults	(16,915,233)	(11,578,186)
Net deferred consideration receivable	<u>63,360,661</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:

	<i>30 June</i> <i>2023</i>	<i>31 December</i> <i>2022</i>
	<u>SR</u>	<u>SR</u>
Present value of servicing asset	15,863,492	16,935,390
Less: Present value of servicing liability	(17,852,697)	(23,306,610)
Net servicing liability	<u>(1,989,205)</u>	<u>(6,371,220)</u>

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%).

TAAJEER FINANCE LEASE COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023****6 TRADE AND OTHER PAYABLES**

	<i>30 June</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
Payable to suppliers of vehicles	71,577,874	64,911,742
Payable under purchase and agency agreement (note 5)	79,690,301	103,039,148
Accrued expenses	9,825,753	11,144,937
Advance from customers	2,795,917	7,200,363
Other payables	6,521,523	9,296,320
	170,411,368	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 six-month period ended</i>	
	<i>30 June</i>	<i>30 June</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
Current zakat charges	3,451,975	2,950,055
Charge for prior periods	821,646	3,610,772
	4,273,621	6,560,827

The movement in the zakat payable is as follows:

	<i>For the six-month period ended 30 June</i>	<i>For the year ended 31 December</i>
	<i>2023</i>	<i>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	4,273,621	12,592,845
Payments	(9,847,511)	(6,613,740)
	3,408,183	8,982,073

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

Loans comprise the following:

	<i>30 June 2023</i>	<i>31 December 2022</i>
	<i>SR</i>	<i>SR</i>
Commercial loans (see note (a) below)	426,535,809	451,003,204
Governmental loans (see note (b) below)	67,764,106	92,243,391
Loans from other financial institution (see note (c) below)	62,000,000	54,000,000
	556,299,915	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 30 June 2023 are presented net of a cash compensating balance of SR 19,747,545 (31 December 2022 : SR 19,654,083).

b) Governmental loans

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 5).

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 30 June 2023 is SR 234 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023****9 SHARE CAPITAL**

The capital of the Company as at 30 June 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 30 June 2023 and 31 December 2022 and their respective shareholding is as follows:

	<i>30 June</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
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 six-month period ended</i>	
	<i>30 June</i>	<i>30 June</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
Administrative fee income	1,764,306	2,348,714
Insurance reimbursed / (paid), net	6,216,492	(2,019,097)
Rebate on purchase of vehicles	12,672,573	10,338,424
Recoveries of amount previously written off	-	1,679,412
Interest income on time deposit	4,310,020	-
Other	794,528	1,225,583
	25,757,919	13,573,036

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 six-month period ended</i>	
		<i>30 June</i>	<i>30 June</i>
		<i>2023</i>	<i>2022</i>
		<i>SR</i>	<i>SR</i>
Ultimate Parent			
Taajeer Group	Recharging IPO costs	3,967,449	-
Shareholders			
Taajeer International Company	Purchase of Vehicles	45,587,326	66,663,318
Taajeer National Company	Vehicle maintenance	-	235,698
Sister companies			
Awaed Arabia Company	Debt collection Services	-	1,799,814
Other			
Alawal Capital Company	Loans obtained	70,000,000	56,000,000
	Interest charge	1,480,319	952,306

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023****11 RELATED PARTY DISCLOSURES (CONTINUED)****Due from related parties comprise the following:**

	<i>30 June</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
Taajeer Group	3,967,449	-
Taajeer International Company	15,404,844	20,959,730
	19,372,293	20,959,730

Due to a related party comprise the following:

	<i>30 June</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
Taajeer National Company	19,728	1,316,957
	19,728	1,316,957

Loans from a related party comprise the following:

	<i>30 June</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
Al Awwal Capital (see note (a) below)	62,000,000	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 six-month period ended</i>	
	<i>30 June</i>	<i>30 June</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
Short term employee benefits	3,446,414	2,260,419
Termination benefits	1,377,913	648,993
Total compensation of key management personnel	4,824,327	2,909,412

12 COMMITMENTS AND CONTINGENCIES

As at 30 June 2023, the Company had no contingent liabilities and commitments (31 December 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 SIX-MONTH PERIOD ENDED 30 JUNE 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 million 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 SIX-MONTH PERIOD ENDED 30 JUNE 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)**

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 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 RECLASSIFICATION OF PREVIOUSLY REPORTED FIGURES

The Company reclassified certain figures that were previously reported in the interim condensed statement of profit or loss for the three-month period ended 31 March 2023.

The impact of the reclassification was as follows:

	<i>As previously reported</i>	<i>Reclassification</i>	<i>After Reclassification</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Net gain on securitization of receivables	7,310,867	8,132,277	15,443,144
Reversal / (Impairment) of net investment in finance lease	1,480,082	(8,132,277)	(6,652,195)

17 DATE OF AUTHORIZATION

These interim condensed financial statements were authorized for issue by the Company's Board of Directors on 27 July 2023 corresponding to 9 Muharram 1444H.