

**TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
AND REVIEW REPORT
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED
30 SEPTEMBER 2017**

TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the nine month period ended 30 September 2017

INDEX	PAGE
Review report	2
Interim statement of comprehensive income – unaudited	3
Interim statement of financial position – unaudited	4
Interim statement of changes in shareholders' equity – unaudited	5
Interim statement of cash flows – unaudited	6
Notes to the interim condensed financial statements	7 – 14

REVIEW REPORT

To the shareholders
Taajeer Finance Lease Company
(a Saudi Closed Joint Stock Company)

Introduction

We have reviewed the accompanying interim statement of financial position of Taajeer Finance Lease Company (a Saudi Closed Joint Stock Company) ("the Company") as at 30 September 2017 and the related interim statement of comprehensive income for the three month and nine month periods then ended and the interim statement of changes in shareholders' equity and cash flows for the nine month period then ended and the notes from 1 to 14, which form an integral part of these interim condensed financial statements. The Company's management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" and Saudi Arabian Monetary Authority ("SAMA") guidance on accounting for zakat and tax. 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 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 and SAMA guidance on accounting for zakat and tax.

Other Matter

The interim condensed financial statements for the period from 24 May 2016 to 30 September 2016 were not reviewed or audited by an independent auditor and have been presented for comparative purposes only.

for Ernst & Young

Ahmed J. Reza
Certified Public Accountant
License No. 356

23 October 2017
3 Safar 1439H

Jeddah
17/342/00



TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three month and nine month periods ended 30 September 2017

	<i>For the three month period ended 30 September 2017 SR Unaudited</i>	<i>For the three month period ended 30 September 2016 SR Unaudited/ unreviewed</i>	<i>For the nine month period ended 30 September 2017 SR Unaudited</i>	<i>For the period from 24 May 2016 to 30 September 2016 SR Unaudited/ unreviewed</i>
Income from finance leases	3,755,995	-	5,629,944	-
Direct costs	(1,019,929)	-	(1,803,952)	-
GROSS PROFIT	2,736,066	-	3,825,992	-
Other operating income	1,485,407	-	3,139,149	-
INCOME FROM OPERATIONS	4,221,473	-	6,965,141	-
Selling and distribution expenses	(2,413,183)	-	(7,029,871)	-
General and administrative expenses	(2,847,525)	(705,306)	(9,052,271)	(723,306)
NET LOSS FROM OPERATIONS	(1,039,235)	(705,306)	(9,117,001)	(723,306)
Impairment allowance for investment in finance lease	4 (678,099)	-	(1,504,798)	-
Finance income	133,334	-	1,051,112	-
Fair value gain from financial assets at fair value through profit or loss	-	-	84,138	-
Financial charges	5 -	-	-	(5,001,000)
TOTAL LOSS FOR THE PERIOD	(1,584,000)	(705,306)	(9,486,549)	(5,724,306)
Other comprehensive income for the period	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(1,584,000)	(705,306)	(9,486,549)	(5,724,306)

The attached notes 1 to 14 form an integral part of these interim condensed financial statements.

TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2017

	<i>Note</i>	<i>30 September 2017 SR Unaudited</i>	<i>31 December 2016 SR Audited</i>
ASSETS			
Cash and bank balances	4	22,027,415	92,478,188
Prepayments and other receivables		1,815,240	1,683,477
Net investment in finance lease	6	137,374,553	-
Vehicles available for lease		541,323	-
Property and equipment		693,635	495,100
Intangibles		4,475,380	4,950,064
TOTAL ASSETS		166,927,546	99,606,829
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Accounts payable, accrued and other liabilities	7	50,431,657	431,934
Due to related parties	8	33,156,580	6,530,313
Employees' terminal benefits		396,502	50,226
TOTAL LIABILITIES		83,984,739	7,012,473
SHAREHOLDERS' EQUITY			
Share capital	9	100,000,000	100,000,000
Accumulated losses		(17,057,193)	(7,405,644)
TOTAL SHAREHOLDERS' EQUITY		82,942,807	92,594,356
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		166,927,546	99,606,829

The attached notes 1 to 14 form an integral part of these interim condensed financial statements.

TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the nine month period ended 30 September 2017

	<i>Note</i>	<i>Share capital</i> <i>SR</i>	<i>Accumulated</i> <i>losses</i> <i>SR</i>	<i>Total</i> <i>SR</i>
Balance as at 1 January 2017 (Audited)	9	100,000,000	(7,405,644)	92,594,356
Total comprehensive loss for the period		-	(9,486,549)	(9,486,549)
Zakat charge for the period	10	-	(165,000)	(165,000)
Balance as at 30 September 2017 (Unaudited)		100,000,000	(17,057,193)	82,942,807
Issue of share capital		100,000,000	-	100,000,000
Total comprehensive loss for the period		-	(5,724,306)	(5,724,306)
Balance as at 30 September 2016 (Unaudited/unreviewed)		100,000,000	(5,724,306)	94,275,694

The attached notes 1 to 14 form an integral part of these interim condensed financial statements.

TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine month period ended 30 September 2017

	<i>For the nine month period ended 30 September 2017</i>	<i>For the period from 24 May 2016 to 30 September 2016</i>
<i>Note</i>	<i>SR</i>	<i>SR</i>
	<i>Unaudited</i>	<i>Unaudited/ unreviewed</i>
OPERATING ACTIVITIES		
Loss for the period	(9,486,549)	(5,724,306)
Adjustments to reconcile loss for the period to net cash flows:		
Impairment allowance for investment in finance lease	1,504,798	-
Depreciation and amortisation	637,467	-
Provision for employees' terminal benefits	346,276	-
Finance income	(1,051,112)	-
Fair value gain from financial assets at fair value through profit or loss	(84,138)	-
	<u>(8,133,258)</u>	<u>(5,724,306)</u>
Changes in operating assets and liabilities:		
Prepayments and other receivables	(131,763)	-
Investment in finance lease	(139,420,674)	-
Accounts payable, accrued and other liabilities	49,834,723	-
Due to related parties	26,626,267	6,997,697
	<u>(71,224,705)</u>	<u>1,273,391</u>
Net cash (used in) / from operating activities		
	<u>(71,224,705)</u>	<u>1,273,391</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(361,318)	(273,451)
Short term deposits	(50,000,000)	-
Redemption of short term deposits	50,000,000	-
Finance income received	1,051,112	-
Investment in financial assets at fair value through profit or loss	(25,000,000)	-
Sale of financial assets at fair value through profit or loss	25,084,138	-
	<u>773,932</u>	<u>(273,451)</u>
Net cash from / (used in) investing activities		
	<u>773,932</u>	<u>(273,451)</u>
FINANCING ACTIVITY		
Proceeds from issue of shares	-	100,000,000
	<u>-</u>	<u>100,000,000</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(70,450,773)	100,999,940
Cash and cash equivalents at the beginning of the period	4 92,478,188	-
	<u>92,478,188</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4 22,027,415	100,999,940
	<u>22,027,415</u>	<u>100,999,940</u>
NON CASH TRANSACTIONS		
Expenses recharged	8 -	5,724,306
	<u>-</u>	<u>5,724,306</u>

The attached notes 1 to 14 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

As at 30 September 2017

1 ORGANIZATION AND ACTIVITIES

Taajeer Finance Lease Company (the "Company") is a Saudi Closed Joint Stock Company, registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030289565, issued on 17 Sha'ban 1437H, (corresponding to 24 May 2016).

The Company's head office is in Jeddah. The principal activity of the Company is to provide the following business in the Kingdom of Saudi Arabia;

- a) Small and Medium Enterprises (SME) Financing
- b) Finance lease

On 29 Safar 1438H (corresponding to 29 November 2016), the Company received a license from Saudi Arabian Monetary Authority (SAMA) to undertake both finance leasing and small and medium enterprises (SME) financing in the Kingdom of Saudi Arabia under license number 46/AU/201611.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Basis of preparation

As per the Bye Laws of the Company, the first financial statements of the Company were prepared for the period from 24 May 2016, being date of the ministerial resolution, to 31 December 2016. The Company's first financial period commenced on the date of ministerial resolution and was upto 31 December 2016 (the 'period').

The interim condensed financial statements for the period from 24 May 2016 to 30 September 2016 were not audited or reviewed by an independent auditor and have been presented for comparative purposes only.

As at 30 September 2017, the Company operates through 7 branches (24 May 2016 to 31 December 2016: nil). The accompanying interim condensed financial statements include the assets, liabilities and results of these branches.

The interim condensed financial statements may not be considered indicative of the actual results for the full year.

2.2 Statement of compliance

During 2017, SAMA issued a Circular no. 381000074519 dated April 11, 2017. Subsequently, amendments to the circular were made by SAMA through certain clarifications relating to the accounting for zakat and tax. As a result of these amendments, zakat is to be accrued on a quarterly basis and recognized in statement of shareholders' equity with a corresponding liability recognized in the statement of financial position.

Applying the above framework, the interim condensed financial statements of the Company as at and for the period ended 30 September 2017 have been prepared in accordance with International Accounting Standard (IAS) No. 34 "Interim Financial Reporting" (IAS-34) and SAMA guidance on accounting for zakat and tax.

Until 2016, the financial statements of the Company were prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). This change in framework resulted in change in accounting policy for zakat as disclosed in note 3. However, there is no effect of this change on the statement of financial position amounts as presented as of 31 December 2016.

These financial statements have been presented in Saudi Riyal, which is the functional and presentation currency of the Company.

These financial statements are prepared under historical cost convention except for the financial assets at fair value through profit or loss that are carried at their fair values.

**TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2017

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.3 Significant accounting Judgments, estimates and assumptions

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that will 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.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Company based its assumptions and estimates on parameters available when the interim condensed financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the interim condensed financial statements have been prepared on a going concern basis.

Impairment of receivables under finance lease

An estimate of the collectible amount of receivables under finance lease is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due, primarily, based on historical recovery rates or using peer benchmarks. As the Company has recently started its operations, in order to assess the collective impairment allowance, management has taken into account peer benchmarks as well as regulatory requirements.

Useful lives of property and equipment and intangibles

The management determines the estimated useful lives of its property and equipment and intangibles for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation / amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

2.4 New Standards and amendments to existing Standards

New standards and amendments to existing Standards issued but not yet effective up to the date of issuance of the Company's interim condensed financial statement are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

New Standard, amendment or interpretation	Effective from periods beginning on or after
IFRS 9 - Financial instruments	1 January 2018
IFRS 15 - Revenue from contracts with customers	1 January 2018
Amendments to IFRS 2 – Classification and measurement of share-based payment transactions	1 January 2018
IFRS 16 Leases	1 January 2019

TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim condensed financial statements have been prepared using the same accounting policies as outlined in the Company's audited financial statements for the period from 24 May 2016 to 31 December 2016 except for the following;

Change in accounting policy

As stated in note 2.2, the Company has amended its accounting policy relating to zakat charge and have started to charge it directly to retained earnings with a corresponding liability recognized in the interim statement of financial position. Previously zakat was charged in the interim statement of comprehensive income. The amendment in the accounting policy, however, has not resulted in restatement of the statement of financial position as of 31 December 2016, as 2016 was the first period of the Company operations (note 1) and the Company estimated nil zakat liability.

Adoption of certain new accounting policies

The Company adopted certain new accounting policies that are relevant to the operations of the Company conducted during the nine month period ended 30 September 2017. These policies are summarized as follows:

Vehicles available for lease

It represents the value of vehicles returned due to termination of lease contracts. These are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less the costs necessary to make the sale. Any impairment loss arising as a result of carrying these assets at their net realizable values is recognised in the statement of comprehensive income.

Leasing revenue

Gross investment in finance lease represents the gross lease payments receivable by the Company, and the net investment represents the present value of these lease payments discounted at interest rate implicit in the lease. The difference between the gross investment and the net investment is recognised as unearned finance income. Finance lease income is recognised over the period of the lease on a systematic basis, which results in a constant periodic rate of return on the net investment outstanding.

Other operating income

Other operating income comprises lease initiation, customer credit assessment, vehicle registration and other fee income. It is recognised immediately upon execution of the agreements with the customers.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss. After initial measurement, the Company measures financial instruments which are classified as at fair value through profit or loss, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets at fair value through profit or loss. Dividend earned or paid on these instruments are recorded as dividend income when right to receive is established.

4 CASH AND BANK BALANCES

	<i>30 September 2017 SR Unaudited</i>	<i>31 December 2016 SR Audited</i>
Cash and bank balances	22,027,415	42,272,632
Short term deposit with original maturity of three months or less	-	50,205,556
	22,027,415	92,478,188

It represents short-term deposits placed with a financial institution at 4% (31 December 2016: 4%) yield rate. The Company earned SR 1,051,112 on these deposit.

**TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2017

5 FINANCE CHARGES

It represents commission paid by a related party to a bank in respect of letter of guarantee issued in favor of Saudi Arabian Monetary Authority (SAMA) for obtaining license of financing activities in the Kingdom of Saudi Arabia.

6 NET INVESTMENT IN FINANCE LEASE

	<i>30 September 2017 (Unaudited)</i>		
	<i>Current portion SR</i>	<i>Non-Current portion SR</i>	<i>Total SR</i>
Gross investment in finance lease	43,656,667	174,452,021	218,108,688
Less: unearned income	(21,373,223)	(57,856,114)	(79,229,337)
Less: allowance for impairment	(1,504,798)	-	(1,504,798)
	<u>20,778,646</u>	<u>116,595,907</u>	<u>137,374,553</u>

The ageing of gross finance lease receivables which are past due is as follows:

	<i>30 September 2017 SR</i>
1 – 3 months	1,447,527
4 – 6 months	110,523
	<u>1,558,050</u>

The not yet due portion of overdue finance lease receivables amounted to SR 36,297,945 (31 December 2016: Nil).

The Company has assessed the carrying amount of the net investment in finance lease and available collaterals value and recorded an impairment of SR 1,504,798. Considering the past history, management believe that majority of overdue amounts are recoverable. In case of default, the Company may take appropriate legal action for the recovery of the outstanding amount.

7 ACCOUNTS PAYABLE, ACCRUED AND OTHER LIABILITIES

	<i>30 September 2017 SR Unaudited</i>	<i>31 December 2016 SR Audited</i>
Accounts payables (note below)	47,459,991	-
Advances from customers	1,480,101	105,154
Accrued expenses	1,326,565	326,780
Zakat payable (note 10)	165,000	-
	<u>50,431,657</u>	<u>431,934</u>

It represents amount payable to suppliers against purchase of vehicles leased out to customers.

**TAAJEEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2017

8 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

i) Following are the details of related party transactions entered during the period:

Related Party	Nature of transaction	For the three month period ended 30 September 2017		For the three month period ended 30 September 2016		For the nine month period ended 30 September 2017		For the period from 24 May 2016 to 30 September 2016	
		SR	Unaudited	SR	Unaudited / unreviewed	SR	Unaudited	SR	Unaudited / unreviewed
Ultimate Parent	Expenses recharged	-	-	705,306	-	-	-	-	5,724,306
	Payments on behalf of the Company	22,966,025	-	-	-	50,978,805	-	-	-
	Collections from the Company's customers	1,886,295	-	-	-	2,499,145	-	-	-
Others	Short term deposits	-	-	-	-	140,000,000	-	-	-
	Finance income	133,334	-	-	-	1,051,112	-	-	-
	Investment in a mutual fund	-	-	-	-	25,000,000	-	-	-
	Fair value gain on redemption of investment in mutual fund	-	-	-	-	84,138	-	-	-
	Purchase of vehicles	10,718,369	-	-	-	26,244,413	-	-	-
Insurance services	1,296,372	-	-	-	2,341,833	-	-	-	

**TAAJEEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2017

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

ii) The total amount of compensation paid to key management personnel during the period is as follows:

Nature of transaction	For the three month period ended 30 September 2017 SR Unaudited	For the three month period ended 30 September 2016 SR Unaudited / unreviewed	For the nine month period ended 30 September 2017 SR Unaudited	For the period from 24 May 2016 to 30 September 2016 SR Unaudited / unreviewed
Key management remuneration	728,400	-	2,272,500	-
Employees' terminal benefits	30,350	-	124,451	-
	<u>758,750</u>	<u>-</u>	<u>2,396,951</u>	<u>-</u>

The Company's Board of Directors includes the Board and other Board related committees (Credit and Risk Committee, Executive Committee, Remuneration Committee and Audit Committee).

iii) Due to related parties comprise the following:

	30 September 2017 SR Unaudited	31 December 2016 SR Audited
Taajeer Holding Group	21,079,730	6,530,313
Taajeer International Company	10,718,369	-
Salama Cooperative Insurance Company	1,358,481	-
	<u>33,156,580</u>	<u>6,530,313</u>

TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2017

9 SHARE CAPITAL

The share capital of the Company is divided into 10,000,000 shares of SR 10 each. As at 30 September 2017 and 31 December 2016, the share capital is owned as follows:

	<i>No. of shares of SR 10 each</i>	<i>30 September 2017 SR Unaudited</i>	<i>31 December 2016 SR Audited</i>
Taajeer Gulf Company Limited	100,000	1,000,000	1,000,000
Taajeer Global Company Limited	100,000	1,000,000	1,000,000
Taajeer International Company Limited	100,000	1,000,000	1,000,000
Taajeer National Company for Auto Maintenance and Integrated Service Limited	100,000	1,000,000	1,000,000
Distinctive Targets Company	9,600,000	96,000,000	96,000,000
	<u>10,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>

In accordance with the Article 70 of the Implementing Regulations of the Finance Companies Control Law, management through a letter dated 20 July 2017 informed SAMA that its accumulated losses have exceeded 15 percent of the paid up capital.

10 ZAKAT

The Company is 100% owned by Saudi nationals so the charge for the current period is of Zakat only.

Status of assessments

The assessments for the period from 24 May 2016 to 31 December 2016 have not yet been raised by General Authority for Zakat and Tax (the "GAZT").

11 LEASE COMMITMENTS

Operating lease commitments represent rentals payable by the Company for certain office properties. Leases are negotiated for an average renewable term of 1 year and rentals are fixed for the same period. Future minimum rentals as at 30 September 2017 payable under non-cancellable operating leases amounted to SR 202,916 (31 December 2016 amount to SR 202,916).

12 CAPITAL MANAGEMENT

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure. The Company manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in objectives, policies or processes for managing capital during the period from 31 December 2016 to 30 September 2017.

**TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2017

12 CAPITAL MANAGEMENT (continued)

The Company monitors capital on the basis of the regulatory requirements of Regulations for Companies and SAMA minimum capital requirements for financing companies.

	<i>30 September 2017 SR Unaudited</i>	<i>31 December 2016 SR Audited</i>
Capital adequacy ratio (Net investment in finance lease divided by shareholders' equity)	1.375 times	-

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial assets consist of cash and bank balances, financial assets at fair value through profit or loss and other receivables. Its financial liabilities consist of due to related parties and accounts payable, accrued and other liabilities.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date,

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data, and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The Company's management determines the policies and procedures for both recurring and non-recurring measurement fair value measurement.

The carrying amounts of the financial assets and liabilities which are carried at their amortised cost, approximate their fair values.

14 BOARD OF DIRECTORS' APPROVAL

These financial statements were approved by the Board of Directors on 17 October 2017 (corresponding to 27 Muharram 1439H).