

DAR AL-ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED
MARCH 31, 2018 (UNAUDITED)
AND REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

DAR AL-ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)
UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD MARCH 31, 2018

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

April 29, 2018

To the shareholders of Dar Al-Etiman Al Saudi Company:
(A Saudi Closed Joint Stock Company)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Dar Al-Etiman Al Saudi Company (a Saudi Closed Joint Stock Company) ("the Company") as of March 31, 2018 and the related condensed interim statements of comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as modified by Saudi Arabian Monetary Authority's ("SAMA") for the accounting of zakat and income tax. Our responsibility is to express a conclusion on this condensed interim financial information 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 financial information consists of making inquiries, primarily of 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, 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.

Review conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34 as modified by SAMA for the accounting of zakat and income tax.

PricewaterhouseCoopers

By: 
Mufaddal A. Ali
License Number 447



DAR AL-ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)
Condensed interim statement of financial position
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	As at	
		March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Assets			
Cash and cash equivalents	5	11,795,481	21,121,002
Net investment in finance lease	6	172,607,217	183,875,023
Prepayments and other receivables	7	89,881,985	94,108,586
Available-for-sale investment	3	-	892,850
Financial asset at fair value through other comprehensive income	3	892,850	-
Property and equipment		849,488	961,534
Total assets		276,027,021	300,958,995
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	8	100,000,000	100,000,000
Statutory reserve	9	4,454,606	4,454,606
Retained earnings		2,656,777	11,093,566
Total shareholders' equity		107,111,383	115,548,172
Liabilities			
Accounts payable	12	130,168,655	146,353,349
Accrued and other liabilities	10	10,150,179	7,929,797
Provision for zakat	11	4,363,807	3,613,807
Net servicing liability under agency agreement	15	21,464,339	24,696,769
Post-employment benefits		2,768,658	2,817,101
Total liabilities		168,915,638	185,410,823
Total shareholders' equity and liabilities		276,027,021	300,958,995

These condensed interim financial information have been approved by the management on April 29, 2018 and signed on their behalf by:



 Director



 Chief Financial Officer

The accompanying notes from 1 to 15 form an integral part of these condensed interim financial information.

DAR AL-ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)
Condensed interim statement of comprehensive income
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended	
		March 31,	
		2018	2017
		(Unaudited)	(Unaudited)
Income			
Income from finance leases		6,702,148	8,632,267
Other income		659,532	887,436
Total income		<u>7,361,680</u>	<u>9,519,703</u>
Expenses			
Finance charges, net		(840,539)	(1,565,792)
General and administrative expenses		(5,892,232)	(7,124,877)
Impairment charged on investment in finance lease	6	(670,312)	(1,200,000)
Other operating costs		(3,870,215)	(3,007,766)
Total expenses		<u>(11,273,298)</u>	<u>(12,898,435)</u>
Loss for the period		(3,911,618)	(3,378,732)
Other comprehensive income		-	-
Total comprehensive loss for the period		<u>(3,911,618)</u>	<u>(3,378,732)</u>

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 Director




 Chief Financial Officer

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DAR AL-ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)
Condensed interim statement of changes in shareholders' equity
 (All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total
Balance as at December 31, 2017 (audited)	100,000,000	4,454,606	11,093,566	115,548,172
Change in accounting policy (Note 3 and 6.2)	-	-	(3,775,171)	(3,775,171)
Restated balance as at January 1, 2018	100,000,000	4,454,606	7,318,395	111,773,001
Total comprehensive loss for the period			(3,911,618)	(3,911,618)
Zakat charge for the period			(750,000)	(750,000)
Balance as at March 31, 2018 (unaudited)	100,000,000	4,454,606	2,656,777	107,111,383
Balance as at December 31, 2016 (audited)	100,000,000	4,350,135	13,999,221	118,349,356
Total comprehensive loss for the period	-	-	(3,378,732)	(3,378,732)
Zakat charge for the period	-	-	(750,000)	(750,000)
Balance as at March 31, 2017 (unaudited)	100,000,000	4,350,135	9,870,489	114,220,624

These condensed interim financial information have been approved by the management on April 29, 2018 and signed on their behalf by:



 Director




 Chief Financial Officer

The accompanying notes from 1 to 15 form an integral part of these condensed interim financial information.

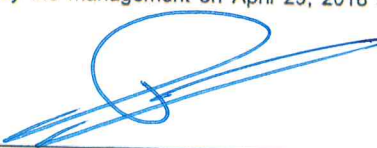
DAR AL-ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)
Condensed interim statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

		For the three-month period ended March 31,	
		2018	2017
		(Unaudited)	(Unaudited)
	Cash flows from operating activities		
	Loss for the period	(3,911,618)	(3,378,732)
	<u>Adjustments for:</u>		
	Depreciation on property and equipment	112,046	111,202
	Impairment charge against investment in finance lease	670,312	1,200,000
	Provision for post-employment benefits	151,076	195,814
	Finance charges	840,539	1,565,792
	<u>Changes in working capital:</u>		
	Prepayments and other receivables	4,682,214	1,845,016
	Accounts payable	(17,252,888)	24,125,075
	Accrued and other liabilities	2,220,382	(880,268)
	Net servicing liability under agency agreement	(3,460,388)	(4,768,522)
	Net cash (utilized in) / generated from operations	(15,948,325)	20,015,377
	Post-employment benefits paid	(199,519)	(4,141)
	Net cash (utilized in) / generated from operating activities	(16,147,844)	20,011,236
	Cash flow from investing activities		
	Investment in finance lease	6,822,323	(34,219,491)
	Release of restricted deposit	-	10,301,414
	Additions to property and equipment	-	(7,480)
	Net cash generated from / (utilized in) investing activities	6,822,323	(23,925,557)
	Net change in cash and cash equivalents	(9,325,521)	(3,914,321)
	Cash and cash equivalents at beginning of the period	21,121,002	16,884,635
	Cash and cash equivalents at end of the period	11,795,481	12,970,314

These condensed interim financial information have been approved by the management on April 29, 2018 and signed on their behalf by:



Director



Chief Financial Officer

The accompanying notes from 1 to 15 form an integral part of these condensed interim financial information.

DAR AL-ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)

Notes to the condensed interim financial information for the three-month period ended March 31, 2018
(All amounts in Saudi Riyals unless otherwise stated)

1. General information

Dar Al-Etiman Al Saudi Company (the "Company") is principally engaged in providing lease financing for motor vehicles within the Kingdom of Saudi Arabia. The Company's head office is located at Prince Sultan Street, P.O. Box 55274, Jeddah 21534, Saudi Arabia.

The Company is incorporated as a Saudi Closed Joint Stock Company ("SCJSC") pursuant to Ministerial Resolution No. 486/Q dated Jumad-ul-Thani 11, 1436 (corresponding to March 31, 2015). Prior to its conversion to a Saudi closed joint stock company, the Company was operating as a Limited Liability Company ("LLC") registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030165101 issued in Jeddah on Dhul-Qada 5, 1427H (corresponding to December 5, 2006).

In accordance with requirements of Article 6 of the Implementing Regulation of the Law of Supervision of Finance Companies, Company has obtained a license No. 33/AM/201505 from Saudi Arabian Monetary Authority (SAMA) to conduct finance lease activities on Rajab 16, 1436 (corresponding to May 5, 2015).

The accompanying condensed interim financial information include the accounts of the Company's head office and all its branches.

2. Basis of preparation

The condensed interim financial information of the Company as at and for the three month period ended March 31, 2018 have been prepared in accordance with International Accounting Standard 34 (IAS 34) '*Interim Financial Reporting*' as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax. The condensed interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2017. The Company has adopted IFRS 9 '*Financial Instruments*' from January 1, 2018 and accounting policies due to adoption of this standard are disclosed in Note 3.

These condensed interim financial information are expressed in Saudi Riyals, which is the Company's functional and reporting currency.

These condensed interim financial information have been reviewed, not audited.

New and amended standards adopted by the Company

IFRS 9 – '*Financial Instruments*' became applicable for the current reporting period and the Company had to change its accounting policies and make adjustments as a result of adopting the following standard effective January 1, 2018.

The other standards have no impact on the Company's accounting policies and do not require retrospective adjustments.

Impact of standards issued but not yet applied by the Company

IFRS 16 '*Leases*' was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments of Saudi Riyals 0.67 million. However, the Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company's profit and classification of cash flows.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after January 1, 2019. This standard has not been early adopted by the Company.

DAR AL-ETIMAN AL SAUDI COMPANY
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Notes to the condensed interim financial information for the three-month period ended March 31, 2018
(All amounts in Saudi Riyals unless otherwise stated)

Use of estimate

The preparation of these condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods and there were no material changes in the judgment and estimates made by the Company in preparation of the accompanying condensed interim financial information as compared to December 31, 2017.

In addition, results for the three-month period ended March 31, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2018.

3. Changes in accounting policies

The Company has adopted IFRS 9 '*Financial Instruments*' (IFRS 9) issued in July 2014 with a date of initial application of January 1, 2018 (the date of initial application of IFRS 9). The requirements of IFRS 9 represents a significant change from IAS 39 '*Financial Instruments: Recognition and Measurement*' (IAS 39). The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As per transition provisions of IFRS 9, comparative periods have not been restated. A difference in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

The key changes in accounting policies resulting from adoption of IFRS 9 are summarised below:

3.1 Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL"). This classification is generally based, except equity instruments and derivatives, on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Company classifies financial assets under IFRS 9, see respective section of significant accounting policies (Note 4).

IFRS 9 largely retains the existing requirements of IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognized in the statement of comprehensive income, under IFRS 9, fair value changes are presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- the remaining amount of change in the fair value is presented in profit or loss.

Management has assessed which business models apply to the financial assets and liabilities held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Company's financial assets and financial liabilities as at January 1, 2018:

DAR AL-ETIMAN AL SAUDI COMPANY
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Notes to the condensed interim financial information for the three-month period ended March 31, 2018
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	Original classification under IAS 39	New classification under IFRS 9
Financial assets			
Cash and cash equivalents		Loans and receivables	Amortised cost
Investment in finance lease		Amortised cost	Amortised cost
Available-for-sale investment	(a)	Available-for-sale investment	Financial asset at fair value through other comprehensive income
Restricted deposits		Amortised cost	Amortised cost
Advances to employees (Included within prepayments and other receivables)		Loans and receivables	Amortised cost
Financial liabilities			
Accounts payable and due to related parties		Other financial liabilities at amortised cost	Amortised cost
Other liabilities and accruals		Other financial liabilities at amortised cost	Amortised cost
Net servicing liability under agency agreement		Other financial liabilities at amortised cost	Amortised cost

(a) Reclassification of investments from available-for-sale to FVOCI

At January 1, 2018, the Company designated an investment in equity securities as at FVOCI. In 2017, this investment was classified as available-for-sale and measured at cost which is the estimated fair value of this investment. The investment does not meet the IFRS 9 criteria for classification at amortised cost or any other category, because it is held as long-term strategic investment by the Company that is not expected to be sold in the short to medium term. Furthermore, there are no contractual cash flows of this investment. There was no impact on the amount recognised in relation to this asset from the adoption of IFRS 9.

(b) Other assets and liabilities

There was no impact on the amounts recognised in relation to all other financial assets and liabilities from the adoption of IFRS 9.

3.2 Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model ("ECL"). IFRS 9 requires the Company to record an allowance for ECLs for all its receivables, investment in finance lease and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The Company has investment in finance that is subject to IFRS 9's new expected credit loss model. Cash and restricted deposits are placed with banks with sound credit ratings. Cash at bank, restricted deposits, advances to employees and other receivables are considered to have low credit risk therefore 12 months expected loss model was used for impairment assessment. Based on management impairment assessment there is no provision required in respect of these balances for all the period presented. No impairment loss was recognised on the other classes of financial assets.

DAR AL-ETIMAN AL SAUDI COMPANY
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Notes to the condensed interim financial information for the three-month period ended March 31, 2018
(All amounts in Saudi Riyals unless otherwise stated)

Following is the impact of adoption of new expected credit loss model of IFRS 9:

	Net investment in finance lease	Retained earnings
Closing balance under IAS 39 (December 31, 2017)	183,875,023	11,093,566
Recognition of expected credit losses under IFRS 9	(3,775,171)	(3,775,171)
Opening balance under IFRS 9 (January 1, 2018)	180,099,852	7,318,395

4. Significant accounting policies

The accounting policies, estimates and assumptions used in the preparation of these condensed interim financial information are consistent with those used in the preparation of the Company's annual financial statements for the year ended December 31, 2017 except for the policies explained below. Based on the adoption of new standards explained in Note 3, the following accounting policies are applicable effective January 1, 2018 replacing / amending or adding to the corresponding accounting policies set out in 2017 financial statements.

4.1 Investments and other financial assets

Classification

From January 1, 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through OCI, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For investments in equity instruments that are not held for trading, the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Equity Instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

DAR AL-ETIMAN AL SAUDI COMPANY

(A Saudi Closed Joint Stock Company)

Notes to the condensed interim financial information for the three-month period ended March 31, 2018

(All amounts in Saudi Riyals unless otherwise stated)

4.2 Financial liabilities

All money market deposits, customer deposits, term loans and subordinated debts are initially recognized at fair value less transaction costs.

Subsequently, financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through profit or loss or an entity has opted to measure a liability at fair value through profit or loss as per the requirements of IFRS 9.

Financial liabilities classified as FVPL using fair value option, if any, after initial recognition, for such liabilities, changes in fair value related to changes in own credit risk are presented separately in OCI and all other fair value changes are presented in the income statement.

Amounts in OCI relating to own credit are not recycled to the income statement even when the liability is derecognized and the amounts are realized.

4.3 Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

From January 1, 2018, any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability.

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized with the difference recognized as a de-recognition gain or loss and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Financial liabilities

The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

4.4 Impairment

From January 1, 2018, the Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Previously, the Company was using incurred loss model to assess the credit losses.

For net investment in finance leases, the Company applies the three-stage model ('general model') for impairment based on changes in credit quality since initial recognition.

DAR AL-ETIMAN AL SAUDI COMPANY
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Notes to the condensed interim financial information for the three-month period ended March 31, 2018
(All amounts in Saudi Riyals unless otherwise stated)

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the ECL that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12 months.

Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition, unless they have low credit risk at the reporting date, but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the ECL that result from all possible default events over the maximum contractual period during which the Company is exposed to credit risk. ECL are the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

The Company, when determining whether the credit risk on a financial instrument has increased significantly, considers reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument.

Other instruments are considered as low risk and the Company uses a provision matrix in calculating the expected credit losses.

Financial assets are written off only when:

- (i) the lease or other receivable is at least one year past due, and
- (ii) there is no reasonable expectation of recovery.

Where financial assets are written off, the Company continues to engage enforcement activities to attempt to recover the lease receivable due. Where recoveries are made, after write-off, are recognized as other income in the statement of comprehensive income.

There is no principle change relating to collateral valuation or repossession of collateral in IFRS 9 as compared to IAS 39.

4.5 Reclassification

Following reclassifications have been made in the comparative 2017 financial information to conform to 2018 presentation:

Condensed Interim Statement of Comprehensive Income

An amount of Saudi Riyals 3,260,493 has been reclassified from 'fee and other processing income' to 'Income from finance lease' on the face of Condensed Interim Statement of Comprehensive Income.

5. Cash and cash equivalents

	March 31, 2018	December 31,
	(Unaudited)	2017
		(Audited)
Cash in hand	1,952,514	1,434,475
Cash at banks	9,842,967	19,686,527
	11,795,481	21,121,002

DAR AL-ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)

Notes to the condensed interim financial information for the three-month period ended March 31, 2018
 (All amounts in Saudi Riyals unless otherwise stated)

6. Investment in finance lease

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Gross investment in finance lease	272,609,039	280,919,018
Less: Unearned finance income and other related credits	<u>(71,177,167)</u>	<u>(72,630,438)</u>
	201,431,872	208,288,580
Less: Impairment against investment in finance lease	<u>(28,824,655)</u>	<u>(24,413,557)</u>
Net investment in finance lease	<u>172,607,217</u>	<u>183,875,023</u>

6.1 Details of investment in finance lease

	March 31, 2018 (Unaudited)			
	Gross investments in finance lease	Unearned finance income and other related credits	Impairment against net investment in finance lease	Net investments in finance lease
Less than a year	94,465,362	(25,097,138)	(28,824,655)	40,543,569
One to five years	178,143,677	(46,080,029)	-	132,063,648
	<u>272,609,039</u>	<u>(71,177,167)</u>	<u>(28,824,655)</u>	<u>172,607,217</u>

	December 31, 2017 (Audited)			
	Gross investments in finance lease	Unearned finance income and other related credits	Impairment against net investment in finance lease	Net investments in finance lease
Less than a year	99,874,546	(23,827,089)	(24,413,557)	51,633,900
One to five years	181,044,472	(48,803,349)	-	132,241,123
	<u>280,919,018</u>	<u>(72,630,438)</u>	<u>(24,413,557)</u>	<u>183,875,023</u>

The Company's implicit rate of return on leases ranges between 9% and 11% per annum (2017: between 9% and 11% per annum). These are secured by promissory notes from the customer and against leased assets.

Amounts due after one year represents minimum lease payments under finance lease contracts, which are due for payment by customers after one year from the statement of financial position date.

Following are the scheduled maturities of the net investment in finance lease from one to five years:

Twelve months period ending March 31:

2019	25,774,662
2020	33,104,430
2021	36,301,311
2022	32,448,971
2023	4,434,274
	<u>132,063,648</u>

In prior years, the Company has sold its receivable from finance lease contracts to various financial institutions and derecognized such receivables. Further, the Company has entered into an arrangement for servicing such sold finance lease receivables.

DAR AL-ETIMAN AL SAUDI COMPANY
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Notes to the condensed interim financial information for the three-month period ended March 31, 2018
(All amounts in Saudi Riyals unless otherwise stated)

6.2 The movement in impairment of investment finance lease is as follows:

	March 31, 2018	December 31,
	(Unaudited)	2017
		(Audited)
Opening	24,413,557	19,777,409
Impact on adoption of IFRS 9 (Note 3.2)	3,775,171	-
Adjusted opening balance	<u>28,188,728</u>	19,777,409
Charged	670,312	10,939,658
Write-offs	<u>(34,385)</u>	<u>(6,303,510)</u>
Closing	<u>28,824,655</u>	<u>24,413,557</u>

The ageing of investment in finance lease which are past due but not considered impaired by the management is as follows:

	March 31, 2018	December 31,
	(Unaudited)	2017
		(Audited)
Less than 90 days	4,431,435	4,751,534
91-180 days	2,840,897	2,619,508
181-365 days	2,656,238	2,746,848
More than 365 days	<u>21,942,440</u>	<u>21,917,748</u>
	<u>31,871,010</u>	<u>32,035,638</u>

The not yet due portion of the above balances included in investment in finance lease is Saudi Riyals 95 million (December 31, 2017: Saudi Riyals 95.5 million).

Based on the SAMA regulations, the aggregate amount of income suspended on aged finance lease receivables as at March 31, 2018 amounted to Saudi Riyals 1.99 million (December 31, 2017: 1.57 million).

6.3 Category-wise movement in provision for investment in finance lease is as follows:

	Performing	Under-	Non-	Total
		performing	performing	
Balance as at January 1, 2018 (unaudited)	202,420	2,143,931	25,842,377	28,188,728
Charge / (reversed) for the period	<u>360,512</u>	<u>(255,411)</u>	<u>530,826</u>	<u>635,927</u>
Balance as at March 31, 2018 – (unaudited)	<u>562,932</u>	<u>1,888,520</u>	<u>26,373,203</u>	<u>28,824,655</u>

6.4 Category-wise gross investment in finance lease is as follows:

	March 31, 2018	January 1,
	(Unaudited)	2018
		(Unaudited)
Performing	184,649,237	191,038,085
Under-performing	31,787,069	34,541,736
Non-performing	<u>56,172,733</u>	<u>55,339,197</u>
	<u>272,609,039</u>	<u>280,919,018</u>

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7. Prepayments and other receivables

		March 31, 2018	December 31,
	Note	(Unaudited)	2017
			(Audited)
Restricted deposits	7.1	73,007,440	72,551,827
Prepaid insurance		7,621,803	12,580,050
Receivable from employees		1,906,163	1,869,603
Other prepayments and receivables		7,346,579	7,107,106
		<u>89,881,985</u>	<u>94,108,586</u>

7.1 The Company has been appointed as a servicing agent for the sold receivables to the financial institutions therefore the financial institutions require the Company to keep certain balance as restricted deposit against such services for sold receivables. These deposits will be released at the end of securitization contracts and are recorded at their fair value. The non-current portion of these restricted deposits is amounting to Saudi Riyals 43.3 million (2017: Saudi Riyals 55.8 million).

8. Share capital

The share capital of the Company as of March 31, 2018 and December 31, 2017 was comprised of 100,000 shares stated at Saudi Riyals 1,000 per share owned as follows:

		Shareholding	
	Nationality	March 31, 2018	December 31,
		(Unaudited)	2017
			(Audited)
Modern Ajwad for Commercial Investment Company Limited	Saudi	60.0%	60.0%
Tawad Holding Company (formerly "Tawad Commercial Investment Company Limited")	Saudi	37.5%	37.5%
Saudi Diesel Equipment Company Limited	Saudi	1.0%	1.0%
Trans Arabian Technical Services Company Limited	Saudi	1.0%	1.0%
Arabian Property Company Limited.	Saudi	0.5%	0.5%
		<u>100%</u>	<u>100%</u>

9. Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to allocate 10% of its net income each year to a statutory reserve, after any accumulated deficit is absorbed, until such reserve equals 30% of its share capital. This reserve is not currently available for distribution to the shareholders.

10. Accrued and other liabilities

	March 31, 2018	December 31,
	(Unaudited)	2017
		(Audited)
Employee related accruals	4,112,064	5,086,673
Advances from customers	4,819,091	517,789
Accrued board of directors remuneration	675,000	540,000
Other accruals	544,024	1,785,335
	<u>10,150,179</u>	<u>7,929,797</u>

11. Zakat matters

Status of final assessments

The Company has filed its zakat declarations with the General Authority of Zakat and Tax (GAZT) upto 2017. There are no open assessments as at March 31, 2018.

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12. Related party transactions

During the three-month period ended March 31, 2018, the Company had transactions with following related parties:

Name	Relationship
Universal Motors Agencies ("UMA")	Affiliate
Key management personnel	Connected persons

The significant transactions and related amounts are as follows:

	Three-month period ended	
	March 31, 2018	March 31, 2017
	(Unaudited)	(Unaudited)
Purchase of motor vehicles	12,670,441	50,779,711
Finance cost charged by UMA	1,068,194	1,551,263

Compensation of key management personnel

	Three-month period ended	
	March 31, 2018	March 31, 2017
	(Unaudited)	(Unaudited)
Salaries and bonuses paid / accrued to key management personnel	150,198	575,764
Directors remuneration	135,000	-
End of service indemnities accrued during the period	8,088	35,284

Payable to a related party

Significant period end balance arising from transactions with a related party is as follows:

		March 31, 2018	December 31, 2017
	Relationship	(Unaudited)	(Audited)
Universal Motors Agencies	Affiliate	99,973,804	110,519,256

Remaining balance of accounts payable represents other payables and the temporary timing differences of amounts collected from customers and payable to banks against securitization and agency agreement (Note 15).

13. Financial risk management

The Company's activities are exposed to a variety of financial risks which mainly include market risk (including foreign exchange risk, interest rate risk and price risk) credit risk and liquidity risk. The condensed interim financial information do not include all financial risk management information and disclosures required in the annual financial statements; and therefore should be read in conjunction with the Company's annual financial statements as at December 31, 2017. There have been no changes in the risk management policies since the year end except for adoption of IFRS 9 as explained in Note 4 and 6.

14. Seasonality of operations

The principal activity of the Company is to provide finance lease services to customers and its activities are evenly spread throughout the year.

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(All amounts in Saudi Riyals unless otherwise stated)

15. Finance lease receivables – securitization and agency agreements

In accordance with the terms of certain securitization and agency agreements, the Company has sold finance lease receivables to various financial institutions.

The outstanding position of such off statement of financial position finance lease receivables is as follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Finance lease receivables sold under securitization agreements	279,699,732	315,010,368

Maturity profile of finance lease receivable sold under securitized deals are as follows:

	March 31, 2018 (unaudited)	
	Less than one year	One to five year
Securitization agreements	130,447,931	149,251,801
	December 31, 2017 (Audited)	
	Less than one year	One to five year
Securitization agreements	135,170,527	179,839,841

Net servicing liability for sold receivable

Under the securitization and agency agreements, the Company has been appointed by the financial institutions to service the purchased receivables. Where the Company is appointed to service the derecognized financial assets for a fee, the Company initially recognizes either a net servicing asset or a net servicing liability for that servicing contract at its fair value.

The fair value of net servicing asset/ liability is determined based on the present value of estimated future cash flows related to contractually specified servicing fees less servicing costs. The primary determinants of the fair value of net servicing asset/ liability are discount rates, estimates of servicing costs and the fixed servicing fees. The management assesses the cost of servicing including salaries and other direct costs. The annual change in the servicing cost represents the increment to the servicing cost as a result of inflation.

Variations in one or a combination of these assumptions could materially affect the estimated values of net servicing liability.