

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

CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021
(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, 2021

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Report on review of interim financial information

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 as of March 31, 2021 and the related condensed statements of comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. 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.

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 endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

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License Number 447



May 3, 2021

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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, 2021 (Unaudited)	December 31, 2020 (Audited)
Assets			
Cash and cash equivalents	4	55,116,865	66,151,886
Net investment in finance leases	5	76,895,608	69,340,402
Prepayments and other receivables	6	49,203,602	51,311,302
Zakat refundable		7,518,233	7,565,699
Financial asset at fair value through other comprehensive income		892,850	892,850
Property and equipment		292,257	367,053
Total assets		189,919,415	195,629,192
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	7	100,000,000	100,000,000
Statutory reserve	8	5,058,470	5,058,470
Retained earnings		6,233,629	7,953,719
Total shareholders' equity		111,292,099	113,012,189
Liabilities			
Trade and other payables		50,303,788	48,794,063
Accrued and other liabilities	9	7,973,107	9,651,413
Net servicing liability under agency agreement	14	17,403,123	21,302,359
Employee benefit obligations		2,947,298	2,869,168
Total liabilities		78,627,316	82,617,003
Total shareholders' equity and liabilities		189,919,415	195,629,192

The accompanying notes form an integral part of these condensed interim financial information.

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors

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,	
		2021 (Unaudited)	2020 (Unaudited)
Income			
Income from finance leases		3,559,338	3,481,580
Other income		1,159,499	1,238,205
Total income		4,718,837	4,719,785
Expenses			
Finance income, net		-	61,356
General and administrative expenses		(3,933,874)	(4,313,127)
Allowance for impairment on investment in finance leases	5	(1,200,000)	(1,450,000)
Other operating costs		(1,257,587)	(2,239,117)
Total expenses		(6,391,461)	(7,940,888)
Loss before zakat		(1,672,624)	(3,221,103)
Zakat expense		(47,466)	(20,781)
Loss for the period		(1,720,090)	(3,241,884)
Other comprehensive income/(loss)		-	-
Total comprehensive loss for the period		(1,720,090)	(3,241,884)

The accompanying notes form an integral part of these condensed interim financial information.

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors

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 January 1, 2021 (Audited)	100,000,000	5,058,470	7,953,719	113,012,189
Loss for the period	-	-	(1,720,090)	(1,720,090)
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive loss for the period	-	-	(1,720,090)	(1,720,090)
Balance as at March 31, 2021 (Unaudited)	100,000,000	5,058,470	6,233,629	111,292,099
Balance as at January 1, 2020 (Audited)	100,000,000	5,058,470	12,713,598	117,772,068
Loss for the period	-	-	(3,241,884)	(3,241,884)
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive loss for the period	-	-	(3,241,884)	(3,241,884)
Balance as at March 31, 2020 (Unaudited)	100,000,000	5,058,470	9,471,714	114,530,184

The accompanying notes form an integral part of these condensed interim financial information.

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors

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,	
		2021	2020
Cash flows from operating activities	Note	(Unaudited)	(Unaudited)
Loss before zakat		(1,672,624)	(3,221,103)
<u>Adjustments for:</u>			
Depreciation on property and equipment		77,964	130,386
Impairment charge on investment in finance lease	5	1,200,000	1,450,000
Provision for employee benefit obligations		136,513	122,108
Finance income, net		-	(61,356)
 <u>Changes in working capital:</u>			
Prepayments and other receivables		2,107,700	4,546,681
Trade and other payables		1,509,725	12,010,805
Accrued and other liabilities		(1,678,306)	(1,260,627)
Net servicing liability under agency agreement		(3,899,236)	(2,814,850)
Net cash (used in) / generated from operations		(2,218,264)	10,902,044
 Employee benefit obligations paid		(58,383)	(73,104)
Net cash (used in) / generated from operating activities		(2,276,647)	10,828,940
 Cash flow from investing activities			
Net investment in finance leases		(8,755,206)	(10,647,119)
Additions to property and equipment		(3,168)	(1,047)
Net cash used in investing activities		(8,758,374)	(10,648,166)
 Net change in cash and cash equivalents		(11,035,021)	180,774
 Cash and cash equivalents at beginning of the period		66,151,886	47,180,166
Cash and cash equivalents at end of the period	4	55,116,865	47,360,940

The accompanying notes form an integral part of these condensed interim financial information.

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors

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, 2021

(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 registered as a Saudi Closed Joint Stock Company 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 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).

The Company has obtained license No. 33/AM/201605 from Saudi Central Bank ("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

2.1 The condensed interim financial information of the Company as at and for the three-month period ended March 31, 2021 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting"- ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

2.2 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, 2020.

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

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

2.5 There are no new relevant International Financial Reporting Standards ("IFRS") or IFRS interpretations that are not yet effective that would be expected to have a material impact on the Company's financial information. Also, there are a number of amendments to IFRS which are effective from January 1, 2021 but they do not have any material effect on the Company's condensed interim financial information.

2.6 Use of judgments and estimates

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.

In addition, results for the three-month period ended March 31, 2021 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2021.

In preparing these condensed interim financial information, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended December 31, 2020.

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, 2021**

(All amounts in Saudi Riyals unless otherwise stated)

3. Significant accounting policies

The accounting policies used in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended December 31, 2020.

4. Cash and cash equivalents

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash in hand	68,802	83,826
Cash at banks	55,048,063	66,068,060
	<u>55,116,865</u>	<u>66,151,886</u>

The cash is held in current accounts with banks having sound credit ratings and does not carry any mark-up. The carrying value at each reporting date is considered to be the same as fair value.

5. Investment in finance leases

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Gross investment in finance leases	133,228,179	120,266,847
Less: Unearned finance income and other related credits	(30,370,600)	(26,062,147)
Present value of minimum lease payments	102,857,579	94,204,700
Less: Allowance for impairment on investment in finance leases	(25,961,971)	(24,864,298)
Net investment in finance leases	<u>76,895,608</u>	<u>69,340,402</u>

The Company's implicit rate of return on leases ranges between 9% and 12% per annum (2020: between 9% and 12% per annum). These are secured by promissory notes from the customer and against the 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 gross investment in finance leases:

Twelve months period ending March 31:

2022	55,833,828
2023	24,254,465
2024	19,209,739
2025	16,774,835
2026	16,996,369
2027	158,943
	<u>133,228,179</u>

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, 2021**

(All amounts in Saudi Riyals unless otherwise stated)

5. Investment in finance leases (continued)

5.1 The movement in allowance for impairment on investment in finance leases is as follows:

	March 31, 2021	December 31, 2020
	(Unaudited)	(Audited)
Opening	24,864,298	21,274,466
Charged during the period	1,200,000	3,826,031
Write-offs	(102,327)	(236,199)
Closing	25,961,971	24,864,298

5.2 Category-wise allowance for impairment on investment in finance leases is as follows:

	March 31, 2021	December 31, 2020
	(Unaudited)	(Audited)
Performing	787,618	644,204
Under-performing	407,842	525,368
Non-performing	24,766,511	23,694,726
	25,961,971	24,864,298

6. Prepayments and other receivables

		March 31, 2021	December 31, 2020
	Note	(Unaudited)	(Audited)
Restricted deposits	6.1	43,126,576	42,890,247
Prepaid insurance		3,396,209	5,970,206
Receivable from employees		1,399,384	1,436,575
Other prepayments and receivables		1,281,433	1,014,274
		49,203,602	51,311,302

6.1 The Company has been appointed as a servicing agent for the receivables sold to the financial institutions against securitization and agreements 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 and agency agreements and are recorded at their amortised cost. The non-current portion of these restricted deposits is amounting to Saudi Riyals 43.1 million (December 31, 2020: Saudi Riyals 42.9 million).

7. Share capital

The share capital of the Company as of March 31, 2021 and December 31, 2020 comprised 100,000 shares stated at Saudi Riyals 1,000 per share owned as follows:

		Shareholding	
	Country of incorporation	March 31, 2021	December 31, 2020
		(Unaudited)	(Audited)
Modern Ajwad for Commercial Investment Company Limited	Saudi Arabia	60%	60%
Tawad Holding Company	Saudi Arabia	40%	40%
		100%	100%

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, 2021**

(All amounts in Saudi Riyals unless otherwise stated)

8. Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net profit 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.

9. Accrued and other liabilities

	March 31, 2021	December 31,
	(Unaudited)	2020
		(Audited)
Employee related accruals	5,668,408	4,998,589
Accrued board of directors' fee	165,000	720,000
Advances from customers	193,630	422,308
Other accruals	1,946,069	3,510,516
	7,973,107	9,651,413

Other liabilities include Saudi Riyals 174,220 (December 31, 2020: Saudi Riyals 189,227) which represents the remaining balance from the amount received from SAMA under Private Sector Financing Support Program, as explained in Note 15.

10. Zakat matters

During the year ended December 31, 2019, the Company has received a settlement notice from the GAZT relating to the treatment of non-current portion of net investment in its finance lease for the purposes of determination of zakat base. The notice prescribes the method to calculate the Company's zakat liability for the year ended December 31, 2018 and stated that applying the same principles, the Company was entitled to a credit of Saudi Riyals 9.7 million for the year when the Company was provided a license from SAMA to be involved in the finance lease activities till 2017, whereas there would be a charge of Saudi Riyals 0.5 million for the year ended December 31, 2018. Management has agreed to the settlement notice and has accordingly recorded a net zakat refundable of Saudi Riyals 9.2 million during the year ended December 31, 2018. This amount has been subsequently adjusted for zakat charge for the years 2019 and 2020.

The Company has filed its zakat declarations with GAZT up to 2020 and there are no open assessments as of March 31, 2021.

11. Related party transactions

The Company is a member of an affiliated group of companies which are directly or indirectly controlled by Abduljawad family, which are the ultimate shareholders. Related parties include the ultimate shareholders, companies owned by the shareholders and key management personnel.

During the three-month period ended March 31, 2021 and 2020, the Company has transactions with Universal Motors Agencies ("UMA"), an affiliate.

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

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, 2021**

(All amounts in Saudi Riyals unless otherwise stated)

11. Related party transactions (continued)

The significant transactions and related amounts are as follows:

	Three-month period ended March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Purchase of motor vehicles	19,336,613	21,515,360

Compensation of key management personnel

	Three-month period ended March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Salaries and bonuses paid / accrued to key management personnel	290,194	319,849
Directors remuneration	165,000	180,000
End of service indemnities accrued during the period	10,397	12,537

Balances with a related party

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

	Relationship	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Payable to Universal Motors Agencies (included in Trade and other payables)	Affiliate	15,721,410	12,364,852

Remaining balance of trade and other payables represents other payables and the temporary timing differences of amounts collected from customers and payable to banks against securitization and agency agreement. All these amounts are payable within next twelve months.

12. 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, 2020. There have been no changes in the risk management policies since the year end.

13. 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.

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, 2021**

(All amounts in Saudi Riyals unless otherwise stated)

14. 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, 2021 (Unaudited)	December 31, 2020 (Audited)
Finance lease receivables sold under securitization agreements	195,031,832	225,934,200

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

	March 31, 2021 (Unaudited)	
	Less than one year	One to five year
Securitization agreements	85,775,645	109,256,187

	December 31, 2020 (Audited)	
	Less than one year	One to five year
Securitization agreements	95,343,078	130,591,122

Net servicing liability under agency agreements

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.

15. Impact of COVID-19 on Expected Credit Losses (“ECL”) and SAMA Programs

On March 11, 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

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, 2021

(All amounts in Saudi Riyals unless otherwise stated)

15. Impact of COVID-19 on Expected Credit Losses (“ECL”) and SAMA Programs (continued)

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic.

The Company’s ECL model continues to be sensitive to macroeconomic variables and scenario weightages. 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.

There has been a limited impact on collections and liquidity during the current phase and this is being monitored regularly by management. Overall, management does not see any significant changes presently.

SAMA programs and initiatives launched

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 (“MSME”) 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, the Company was required to defer payments for six months on lending facilities to those companies that qualify as MSMEs. The payment reliefs were considered as short-term liquidity support to address the borrower’s potential cash flow issues. The Company has effected the payment reliefs by extending the tenure of the applicable loans granted with no additional costs to be borne by those customer. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 “Financial Instruments” as modification in terms of arrangement. This has resulted the Company recognising a day 1 modification loss of Saudi Riyals 4,950 as at March 31, 2020 and this has been presented as part of finance income / (charges), net. In the absence of other factors, participation in this deferment is not considered a significant increase in credit risk.

In order to compensate all the related cost that the Company expected to incur under the SAMA program, the Company received Saudi Riyals 1.07 million of profit free deposit from SAMA. The benefits of the subsidised funding rate and deferment of monthly instalments have been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in recognition of grant income of Saudi Riyals 4,950 recognised in the statement of comprehensive income within other income and the balancing amount has been recognized as a financial liability within, accrued and other liabilities. The management has exercised certain judgements in the recognition and measurement of this grant income. However, as at March 31, 2021, on the request of SAMA the Company has refunded Saudi Riyals 0.89 million out of this balance.

From the perspective of liquidity risk and going concern, no changes were made in the objectives, policies and processes for managing capital and management monitors the maturity profile to ensure adequate liquidity is maintained. From a liquidity perspective the Company has cash and cash equivalents amounting to Saudi Riyals 55 million as at March 31, 2021, and therefore the Company is not significantly exposed to liquidity risk.

16. Date of authorization of issue

The accompanying condensed interim financial information have been authorised for issue on May 3, 2021.