

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

CONDENSED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the three-month period ended March 31, 2022

with

INDEPENDENT AUDITOR'S REPORT

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

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended March 31, 2022

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KPMG Professional Services

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P.O. Box 55078
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Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

مركز زهران للأعمال
شارع الأمير سلطان
ص.ب ٥٥٠٧٨
جده ٢١٥٣٤
المملكة العربية السعودية
سجل تجاري رقم 4030290792
المركز الرئيسي في الرياض

Independent auditor's report on review of condensed interim

financial statements

To the Shareholders of Dar Al Etiman Al Saudi Company

Introduction

We have reviewed the accompanying March 31, 2022 condensed interim financial statements of Dar Al Etiman Al Saudi Company ("the Company") which comprises:

- the condensed statement of financial position as at March 31, 2022;
- the condensed statements of profit or loss and other comprehensive income for the three-month period ended March 31, 2022;
- the condensed statement of changes in equity for the three-month period ended March 31, 2022;
- the condensed statement of cash flows for the three-month period ended March 31, 2022; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is 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 that are 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 March 31, 2022 condensed interim financial statements of Dar Al Etiman Al Saudi Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (25,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مبنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس ماله (٢٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للوزان وشركاه محاسبين ومراجعين قانونيين". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة

Commercial Registration of the headquarters in Riyadh is 1010425494.

Independent auditor's report on review of condensed interim financial statements

To the Shareholders of Dar Al Etiman Al Saudi Company (continued)

Other matter

The financial statements of Dar Al Etiman Al Saudi Company for the three-month period ended March 31, 2021 were reviewed by another auditor who have expressed an unmodified conclusion thereon vide their report dated May 3, 2021.

KPMG Professional Services

Nasser Ahmed Al Shutairy
License No. 454



Jeddah, April 28, 2022
Corresponding to Ramadan 27, 1443H

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

CONDENSED STATEMENT OF FINANCIAL POSITION

As at March 31, 2022

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	Notes	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Assets			
Cash and cash equivalents	4	84,000,465	95,233,510
Net investment in finance leases	5	109,714,610	94,103,056
Prepayments and other receivables	6	39,479,800	41,933,450
Zakat refundable	11	6,689,220	6,726,689
Financial asset at fair value through other comprehensive income		892,850	892,850
Property and equipment		281,147	182,520
Total assets		241,058,092	239,072,075
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	7	100,000,000	100,000,000
Statutory reserve	8	5,224,857	5,224,857
Retained earnings		8,442,111	9,451,201
Actuarial gain on employees' defined benefit obligations		332,642	332,642
Total shareholders' equity		113,999,610	115,008,700
Liabilities			
Trade and other payables	9	101,486,033	96,190,226
Accrued and other liabilities	10	8,552,409	8,543,324
Net servicing liability under agency agreement	15	14,234,560	16,620,655
Employee benefit obligations		2,785,480	2,709,170
Total liabilities		127,058,482	124,063,375
Total shareholders' equity and liabilities		241,058,092	239,072,075



Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors

The accompanying notes 1 to 18 form an integral part of these condensed interim financial statements.

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

CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three-month period ended March 31, 2022

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	Notes	For the three-month period ended	
		March 31, 2022	March 31, 2021
Income			
Income from finance leases		3,595,543	3,559,338
Other income		2,757,583	1,159,499
Total income		6,353,126	4,718,837
Expenses			
General and administrative expenses	13	(4,346,175)	(3,933,874)
Allowance for expected credit losses on investment in finance leases	5	(1,200,000)	(1,200,000)
Other operating costs		(1,778,572)	(1,257,587)
Total expenses		(7,324,747)	(6,391,461)
Loss before zakat		(971,621)	(1,672,624)
Zakat	11	(37,469)	(47,466)
Loss for the period		(1,009,090)	(1,720,090)
Other comprehensive income		--	--
Total comprehensive loss for the period		(1,009,090)	(1,720,090)



Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors

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

CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three-month period ended March 31, 2022

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Actuarial gain on employees' defined benefit obligations</u>	<u>Total</u>
Balance as at January 1, 2021	100,000,000	5,058,470	7,953,719	--	113,012,189
Loss for the period	--	--	(1,720,000)	--	(1,720,000)
Other comprehensive income	--	--	--	--	--
Total comprehensive loss for the period	--	--	(1,720,000)	--	(1,720,000)
Balance as at March 31, 2021	<u>100,000,000</u>	<u>5,058,470</u>	<u>6,233,629</u>	<u>--</u>	<u>111,292,099</u>
Balance as at January 1, 2022	100,000,000	5,224,857	9,451,201	332,642	115,008,700
Loss for the period	--	--	(1,009,090)	--	(1,009,090)
Other comprehensive income	--	--	--	--	--
Total comprehensive loss for the period	--	--	(1,009,090)	--	(1,009,090)
Balance as at March 31, 2022	<u>100,000,000</u>	<u>5,224,857</u>	<u>8,442,111</u>	<u>332,642</u>	<u>113,999,610</u>



Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors

The accompanying notes 1 to 18 form an integral part of these condensed interim financial statements.

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

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three-month period ended March 31, 2022

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	<u>Notes</u>	<u>March 31,</u> <u>2022</u>	<u>March 31,</u> <u>2021</u>
Cash flows from operating activities			
Loss before Zakat		(971,621)	(1,672,624)
<i>Adjustments for non-cash items:</i>			
Depreciation on property and equipment		27,805	77,964
Allowance for expected credit losses on investment in finance leases	5	1,200,000	1,200,000
Provision for employees' defined benefit obligations		132,003	136,513
<i>Changes in operating assets and liabilities</i>			
Prepayments and other receivables		2,453,650	2,107,700
Trade and other payables		5,295,807	1,509,725
Accrued and other liabilities		9,087	(1,678,306)
Net servicing liability under agency agreement		(2,386,095)	(3,899,236)
Net cash generated from / (used in) operations		5,760,636	(2,218,264)
Employee benefit obligations paid		(55,693)	(58,383)
Net cash generated from / (used in) operating activities		5,704,943	(2,276,647)
Cash flow from investing activities			
Net investment in finance leases		(16,811,554)	(8,755,206)
Additions to property and equipment		(126,434)	(3,168)
Net cash used in investing activities		(16,937,988)	(8,758,374)
Net decrease in cash and cash equivalents		(11,233,045)	(11,035,021)
Cash and cash equivalents at beginning of the period		95,233,510	66,151,886
Cash and cash equivalents at end of the period	4	84,000,465	55,116,865


Chief Financial Officer


Chief Executive Officer


Chairman of Board of Directors

The accompanying notes 1 to 18 form an integral part of these condensed interim financial statements.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended March 31, 2022

(Expressed in Saudi Arabian 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 statements include the accounts of the Company's head office and all its branches.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim financial statements of the Company as at and for the period ended March 31, 2022 have 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 that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and;
- in compliance with the Companies' Law in the Kingdom of Saudi Arabia and Company's By-laws.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's financial statements for the year ended December 31, 2021. The results for the three-month period ended March 31, 2022 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2022.

Assets and liabilities in the condensed statement of financial position are presented in the order of liquidity.

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost basis, unless stated otherwise, using the accrual basis of accounting and the going concern concept.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended March 31, 2022

(All amounts in Saudi Arabian Riyals, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.3 Functional and presentation currency

These condensed interim financial statements have been presented in Saudi Riyals (SR) which is also the Company's functional and presentation currency.

2.4 Significant accounting judgements, estimates and assumptions

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected by the revision. The key areas requiring significant management judgements and estimates are consistent with those disclosed in the annual financial statements for the year ended December 31, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2021.

New IFRS pronouncements, effective January 1, 2022 (refer note 17) did not have any effect on the condensed interim financial statements.

At the date of authorization of these condensed interim financial statements, various Standards and Interpretations (including amendments thereto) were in issue but not yet effective. The management anticipates that adoption of these Standards and Interpretations in future periods will have no material impact on these condensed interim financial statements (refer note 17).

4. CASH AND CASH EQUIVALENTS

	March 31, <u>2022</u> (Unaudited)	December 31, <u>2021</u> (Audited)
Cash in hand	96,650	63,008
Cash at banks	83,903,815	95,170,502
	<u>84,000,465</u>	<u>95,233,510</u>

DAR AL ETIMAN AL SAUDI COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended March 31, 2022

(All amounts in Saudi Arabian Riyals, unless otherwise stated)

5. NET INVESTMENT IN FINANCE LEASES

	March 31, <u>2022</u> (Unaudited)	December 31, <u>2021</u> (Audited)
Gross investment in finance leases	147,847,557	128,405,908
Less: Unearned finance income and other related credits	(32,645,316)	(28,892,541)
Present value of minimum lease payments	115,202,241	99,513,367
Less: allowance for expected credit losses on finance leases	(5,487,631)	(5,410,311)
Net investment in finance leases	<u>109,714,610</u>	<u>94,103,056</u>

The Company's implicit rate of return on leases ranges between 9% and 12% per annum (2021: 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:

2022-2023	41,347,434
2023-2024	35,500,170
2024-2025	24,650,379
2025-2026	20,606,347
2026-2027	25,743,227
	<u>147,847,557</u>

5.1 The movement in allowance for expected credit losses on finance leases is as follows:

	March 31, <u>2022</u> (Unaudited)	December 31, <u>2021</u> (Audited)
At the beginning of the period	5,410,311	24,864,298
Charge for the period	1,200,000	4,800,000
Written off during the period	(1,122,680)	(24,253,987)
At the end of the period	<u>5,487,631</u>	<u>5,410,311</u>

DAR AL ETIMAN AL SAUDI COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended March 31, 2022

(All amounts in Saudi Arabian Riyals, unless otherwise stated)

5. INVESTMENT IN FINANCE LEASES (continued)

5.2 Category-wise allowance for expected credit losses on finance leases is as follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Performing	1,010,945	739,691
Under-performing	354,631	748,821
Non-performing	4,122,055	3,921,799
	<u>5,487,631</u>	<u>5,410,311</u>

6. PREPAYMENTS AND OTHER RECEIVABLES

	<u>Note</u>	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Restricted deposits	6.1	34,720,703	34,530,437
Prepaid insurance		2,964,329	5,623,773
Receivable from employees		1,117,503	1,136,641
Other prepayments and receivables		677,265	642,599
		<u>39,479,800</u>	<u>41,933,450</u>

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 34.7 million (December 31, 2021: Saudi Riyals 34.5 million).

7. SHARE CAPITAL

The share capital of the Company as of March 31, 2022 and December 31, 2021 was comprised of 100,000 shares stated at Saudi Riyals 1,000 per share owned as follows:

		<u>Shareholding</u>	
	<u>Country of incorporation</u>	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Modern Ajwad for Commercial Investment Company Limited	Saudi Arabia	60%	60%
Tawad Holding Company	Saudi Arabia	40%	40%
		<u>100%</u>	<u>100%</u>

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended March 31, 2022

(All amounts in Saudi Arabian 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. TRADE AND OTHER PAYABLES

	<u>Notes</u>	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Third parties	9.1	35,072,716	35,033,270
Related party	12	66,413,317	61,156,956
		<u>101,486,033</u>	<u>96,190,226</u>

9.1 The third parties trade and other payables represents other payables and the temporary timing differences of amounts collected from customers and payable to financial institutions against securitization and agency agreement. All these amounts are payable within next twelve months.

10. ACCRUED AND OTHER LIABILITIES

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Employee related accruals	5,606,461	5,899,124
Accrued board of directors' fee	825,000	660,000
Advances from customers	326,049	209,850
Other accruals	1,794,899	1,774,350
	<u>8,552,409</u>	<u>8,543,324</u>

11. ZAKAT MATTERS

11.1 Movement in Zakat refundable

The movement in the Zakat refundable is as follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
At the beginning of the period	(6,726,689)	(7,565,699)
Withholding tax adjustment	--	320,343
Charge for the period	37,469	518,667
At the end of the period	<u>(6,689,220)</u>	<u>(6,726,689)</u>

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended March 31, 2022

(All amounts in Saudi Arabian Riyals, unless otherwise stated)

11. ZAKAT MATTERS (continued)

- a) During the year ended December 31, 2019, the Company has received a settlement notice from the ZATCA 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 ZATCA up to 2021.

12. RELATED PARTY TRANSACTIONS

The Company, in the normal course of business, enters into transactions with other entities that fall within the definition of a related party. 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. Transactions with related parties were carried out in the normal course of business on terms that were no more favorable than those available or which reasonably be expected to be available in similar transactions with non-related parties i.e., equivalent to those that prevail in arm's length transactions.

a) Related party transactions

Significant related party transactions and balances arising therefrom are described as under:

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>For the period ended March 31,</u>	
			<u>2022</u> (Unaudited)	<u>2021</u> (Unaudited)
Universal Motors Agencies	Affiliate	Purchase of motor vehicles	34,015,569	19,336,613
Universal Motors Agencies	Affiliate	Incentive income	999,563	--

b) Due to a related party

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>As at</u>	<u>As at</u>
			<u>March 31,</u> <u>2022</u> (Unaudited)	<u>December 31,</u> <u>2021</u> (Audited)
Universal Motors Agencies	Affiliate	Purchase of motor vehicles	66,413,317	61,156,956

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended March 31, 2022

(All amounts in Saudi Arabian Riyals, unless otherwise stated)

12. RELATED PARTY TRANSACTIONS (continued)

c) Compensation of key management personnel

<u>Name</u>	<u>Nature of transactions</u>	<u>For the period ended March 31,</u>	
		<u>2022</u> (Unaudited)	<u>2021</u> (Unaudited)
Key management personnel	Salaries and bonuses paid / accrued to key management personnel	324,901	290,194
Directors	Directors' fee	165,000	165,000
Key management personnel	End of service benefits accrued during the year	13,408	10,397

13. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>March 31,</u> <u>2022</u> (Unaudited)	<u>March 31,</u> <u>2021</u> (Unaudited)
Salaries and allowances	3,025,595	2,765,262
Professional charges	579,425	421,751
Rent	207,917	205,652
Repair and maintenance	89,557	82,573
Depreciation	27,805	77,965
Others	415,876	380,671
	<u>4,346,175</u>	<u>3,933,874</u>

14. 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 statements 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, 2021. There have been no changes in the risk management policies since the year end.

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:

	<u>March 31,</u> <u>2022</u> (Unaudited)	<u>December 31,</u> <u>2021</u> (Audited)
Finance lease receivables sold under securitization agreements	<u>155,375,926</u>	<u>176,746,057</u>

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended March 31, 2022

(All amounts in Saudi Arabian Riyals, unless otherwise stated)

15. FINANCE LEASE RECEIVABLES – SECURITIZATION AND AGENCY AGREEMENTS (continued)

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

	<u>March 31, 2022 (Unaudited)</u>	
	Less than one year	One to five year
Securitization agreements	<u>65,452,378</u>	<u>89,923,548</u>
	<u>December 31, 2021 (Audited)</u>	
	Less than one year	One to five year
Securitization agreements	<u>70,295,887</u>	<u>106,450,170</u>

Net servicing liability under agency agreements

Under the securitization and agency agreements, the Company has been appointed by the financial institutions to service the receivables sold to financial institutions. 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.

16. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES (“ECL”) AND SAMA PROGRAM

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.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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(All amounts in Saudi Arabian Riyals, unless otherwise stated)

16. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES (“ECL”) AND SAMA PROGRAMS (continued)

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 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 June 30, 2021, on the request of SAMA the Company has refunded all Saudi Riyals 1.07 million profit free deposit to SAMA.

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 84 million as at March 31, 2022, and therefore the Company is not significantly exposed to liquidity risk.

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

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17. PRONOUNCEMENTS ISSUED AND NOT YET EFFECTIVE

The adoption of the following amendments to the existing standards had no significant impact on the financial statements for the current period or prior periods and is expected to have no significant effect in future periods:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); and
- Extension to COVID-19 Related Rent Concession (Amendments to IFRS 16)

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the financial statements are disclosed below. The Company intends to adopt these standards, where applicable, when they become effective.

<i>Standard / Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
IAS 37	Onerous contracts – cost of fulfilling a contract	January 1, 2022
IFRS Standards	Annual improvements to IFRS standards 2018 – 2020	January 1, 2022
IAS 16	Property, plant and equipment: proceeds before intended use	January 1, 2022
IFRS 3	Reference to the conceptual framework	January 1, 2022
IFRS 17	Insurance contracts	January 1, 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	January 1, 2023
IAS 8	Definition of Accounting Estimate - Amendment	January 1, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction`	January 1, 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

18. DATE OF AUTHORIZATION OF ISSUE

The accompanying condensed interim financial statements have been authorised for issue by the Board of Directors on April 27, 2022, corresponding to Ramadan 26, 1443H.