

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

**CONDENSED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**
For the three-month and nine-month periods ended
30 September 2021
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 and nine-month periods ended 30 September 2021

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KPMG Professional Services

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Prince Sultan Street
P.O. Box 55078
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Kingdom of Saudi Arabia
Headquarter in Riyadh

Commercial Registration No 4030290792

كي بي إم جي للاستشارات المهنية

مركز زهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جده 21534
المملكة العربية السعودية
المركز الرئيسي الرياض

سجل تجاري رقم 4030290792

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 30 September 2021 condensed interim financial statements of Dar Al Etiman Al Saudi Company ("the Company") which comprises:

- the condensed statement of financial position as at 30 September 2021;
- the condensed statements of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2021;
- the condensed statement of changes in equity for the nine-month period ended 30 September 2021;
- the condensed statement of cash flows for the nine-month period ended 30 September 2021; 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 30 September 2021 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 (15,000,000) 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 مالها (15,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". 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 headquarter 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 the Dar Al Etiman Al Saudi Company for the year ended 31 December 2020, and the condensed interim financial statements for the three-month and nine-month periods ended 30 September 2020 were audited and reviewed respectively by another auditor who have expressed an unmodified opinion and conclusions thereon vide their reports dated 4 March 2021 and 28 October 2020, respectively.

KPMG Professional Services

Nasser Ahmed Al Shutairy
License No. 454



Jeddah, 27 October 2021
Corresponding to 21 Rabi Al Awal 1443H

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

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	Notes	30 September 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
Cash and cash equivalents	4	51,929,206	66,151,886
Net investment in finance leases	5	78,019,087	69,340,402
Prepayments and other receivables	6	102,077,131	51,311,302
Zakat refundable	11	6,869,551	7,565,699
Financial asset at fair value through other comprehensive income		892,850	892,850
Property and equipment		225,677	367,053
Total assets		240,013,502	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		9,400,312	7,953,719
Total shareholders' equity		114,458,782	113,012,189
Liabilities			
Trade and other payables	9	94,335,510	48,794,063
Accrued and other liabilities	10	7,913,562	9,651,413
Net servicing liability under agency agreement	15	20,090,433	21,302,359
Employees' defined benefit obligations		3,215,215	2,869,168
Total liabilities		125,554,720	82,617,003
Total shareholders' equity and liabilities		240,013,502	195,629,192



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 and nine-month periods ended 30 September 2021
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	Notes	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Income					
Income from finance leases		4,478,517	3,830,101	11,987,773	11,029,308
Net income from finance lease receivable sold to a financial institution		4,166,778	4,517,906	4,166,778	4,517,906
Other income		3,746,342	1,166,198	6,472,900	2,945,997
Total income		<u>12,391,637</u>	<u>9,514,205</u>	<u>22,627,451</u>	<u>18,493,211</u>
Expenses					
Finance income, net		--	--	--	222,456
General and administrative expenses	13	(4,494,054)	(4,296,480)	(12,657,722)	(13,154,237)
Allowance for expected credit losses on investment in finance leases	5	(1,200,000)	(1,200,000)	(3,600,000)	(3,850,000)
Other operating costs		(1,780,957)	(2,363,192)	(4,547,331)	(6,899,683)
Total expenses		<u>(7,475,011)</u>	<u>(7,859,672)</u>	<u>(20,805,053)</u>	<u>(23,681,464)</u>
Profit / (loss) before Zakat		<u>4,916,626</u>	<u>1,654,533</u>	<u>1,822,398</u>	<u>(5,188,253)</u>
Zakat	11	(278,000)	(102,973)	(375,805)	(183,413)
Net profit / (loss) for the period		<u>4,638,626</u>	<u>1,551,560</u>	<u>1,446,593</u>	<u>(5,371,666)</u>
Other comprehensive income		--	--	--	--
Total comprehensive income / (loss) for the period		<u>4,638,626</u>	<u>1,551,560</u>	<u>1,446,593</u>	<u>(5,371,666)</u>


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)

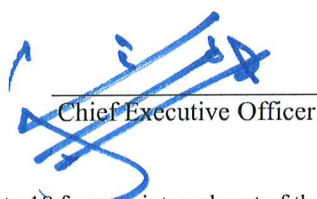
For the nine-month period ended 30 September 2021

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	<u>Share Capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as at 1 January 2020	100,000,000	5,058,470	12,713,598	117,772,068
Loss for the period	--	--	(5,371,666)	(5,371,666)
Other comprehensive income	--	--	--	--
Total comprehensive loss for the period	--	--	(5,371,666)	(5,371,666)
Balance as at 30 September 2020	<u>100,000,000</u>	<u>5,058,470</u>	<u>7,341,932</u>	<u>112,400,402</u>
Balance as at 1 January 2021	100,000,000	5,058,470	7,953,719	113,012,189
Profit for the period	--	--	1,446,593	1,446,593
Other comprehensive income	--	--	--	--
Total comprehensive income for the period	--	--	1,446,593	1,446,593
Balance as at 30 September 2021	<u>100,000,000</u>	<u>5,058,470</u>	<u>9,400,312</u>	<u>114,458,782</u>



Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors

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DAR AL ETIMAN AL SAUDI COMPANY
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CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine-month period ended 30 September 2021
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	Notes	30 September <u>2021</u>	30 September <u>2020</u>
Cash flows from operating activities			
Profit / (loss) for the period before Zakat		1,822,398	(5,188,253)
<i>Adjustments for non-cash items:</i>			
Depreciation on property and equipment		235,726	304,147
Allowance for expected credit losses on investment in finance leases	5	3,600,000	3,850,000
Accounts receivable - written off	5	(22,295,756)	(149,384)
Provision for employees' defined benefit obligations		404,429	383,830
Finance income, net		--	(222,456)
<i>Changes in operating assets and liabilities</i>			
Prepayments and other receivables		(66,175,829)	(2,249,677)
Trade and other payables		45,541,447	3,079,285
Accrued and other liabilities		(1,737,851)	63,090
Net servicing liability under agency agreement		(1,211,926)	(1,555,162)
Cash used in operations		<u>(39,817,362)</u>	<u>(1,684,580)</u>
Withholding tax		320,343	--
Employees' defined benefit obligations paid		(58,382)	(223,924)
Net cash used in operating activities		<u>(39,555,401)</u>	<u>(1,908,504)</u>
Cash flow from investing activities			
Cash received on sale of investment in finance lease		--	50,524,827
Investment in finance leases		10,017,073	(43,600,619)
Release of restricted deposit		15,410,000	14,860,000
Additions to property and equipment		(94,352)	(5,665,173)
Net cash generated from investing activities		<u>25,332,721</u>	<u>16,119,035</u>
Net (decrease) / increase in cash and cash equivalents		<u>(14,222,680)</u>	<u>14,210,531</u>
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	<u>51,929,206</u>	<u>61,390,697</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)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2021

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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, 1436H (corresponding to 31 March 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 5 December 2006).

The Company has obtained license No. 33/AM/201605 from Saudi Central Bank ("SAMA") to conduct finance lease activities on Rajab 16, 1436H (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 Statement of compliance

The condensed interim financial statements of the Company as at and for the period ended 30 September 2021 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").
- 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 31 December 2020. The results for the nine-month period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

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
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2021
(Expressed 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 31 December 2020.

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 31 December 2020.

New IFRS pronouncements, effective 1 January 2021 (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

	30 September <u>2021</u> (Unaudited)	31 December <u>2020</u> (Audited)
Cash in hand	234,979	83,826
Cash at banks	<u>51,694,227</u>	<u>66,068,060</u>
	<u>51,929,206</u>	<u>66,151,886</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 and nine-month periods ended 30 September 2021
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

5. NET INVESTMENT IN FINANCE LEASES

	30 September <u>2021</u> (Unaudited)	31 December <u>2020</u> (Audited)
Gross investment in finance leases	106,494,790	120,266,847
Less: unearned finance income and other related credits	(22,307,161)	(26,062,147)
Present value of minimum lease payments	84,187,629	94,204,700
Less: allowance for expected credit losses on finance leases	(6,168,542)	(24,864,298)
Net investment in finance leases	<u>78,019,087</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 30 September: (Unaudited)

2021-2022	36,996,791
2022-2023	20,861,272
2023-2024	15,949,411
2024-2025	13,973,570
2025-2026	18,092,661
2026-2027	621,085
	<u>106,494,790</u>

5.1 The movement in allowance for expected credit losses on finance leases is given below:

	30 September <u>2021</u> (Unaudited)	31 December <u>2020</u> (Audited)
At the beginning of the period	24,864,298	21,274,466
Charge for the period	3,600,000	3,826,031
Written off during the period	(22,295,756)	(236,199)
At the end of the period	<u>6,168,542</u>	<u>24,864,298</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 and nine-month periods ended 30 September 2021
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

5. NET INVESTMENT IN FINANCE LEASES (continued)

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

	30 September <u>2021</u> (Unaudited)	31 December <u>2020</u> (Audited)
Performing	691,262	644,204
Under-performing	589,771	525,368
Non-performing	4,887,509	23,694,726
	<u>6,168,542</u>	<u>24,864,298</u>

6. PREPAYMENTS AND OTHER RECEIVABLES

	<u>Note</u>	30 September <u>2021</u> (Unaudited)	31 December <u>2020</u> (Audited)
Finance lease receivables sold under securitization agreement	6.1	65,239,120	--
Restricted deposits	6.2	28,389,467	42,890,247
Prepaid insurance		6,657,776	5,970,206
Receivable from employees		1,244,415	1,436,575
Other prepayments and receivables		546,353	1,014,274
		<u>102,077,131</u>	<u>51,311,302</u>

6.1 During the nine month period ended 30 September 2021 the Company sold its finance lease receivables (investment in finance lease) amounting to Saudi Riyals 73 million (30 September 2020: Saudi Riyals 62.6 million) to a financial institution. The amount has been received subsequent to the period end and recorded the net income of Saudi Riyals 4.1 million (30 September 2020 Saudi Riyals 4.5 million on such derecognition).

6.2 The Company has been appointed as a servicing agent for the receivables sold to the financial institutions against securitization 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 28.3 million (31 December 2020: Saudi Riyals 42.9 million).

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2021

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

7. SHARE CAPITAL

The share capital of the Company as of 30 September 2021 and 31 December 2020 was comprised of 100,000 shares stated at Saudi Riyals 1,000 per share owned as follows:

	<u>Country of incorporation</u>	<u>Shareholding</u> 30 September 2021	31 December 2020
Modern Ajwad for Commercial Investment Company Limited	Saudi Arabia	60%	60%
Tawad Holding Company	Saudi Arabia	40%	40%
		100%	100%

8. 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.

9. TRADE AND OTHER PAYABLES

	<u>Notes</u>	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Third parties	9.1	37,644,155	36,429,211
Related party	12	56,691,355	12,364,852
		94,335,510	48,794,063

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

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Employee related accruals	5,316,441	4,998,589
Accrued board of directors' fee	495,000	720,000
Advances from customers	370,233	422,308
Other accruals	1,731,888	3,510,516
	7,913,562	9,651,413

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2021
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

11. ZAKAT

11.1 Charge for the period / year

	30 September <u>2021</u> (Unaudited)	31 December <u>2020</u> (Audited)
Withholding tax adjustment	320,343	--
Charge for the period / year	375,805	233,451

11.2 Movement in Zakat refundable

The movement in the Zakat refundable is as follows:

	30 September <u>2021</u> (Unaudited)	31 December <u>2020</u> (Audited)
At the beginning of the period/year	(7,565,699)	(7,799,150)
Withholding tax adjustment	320,343	
Charge for the period / year	375,805	233,451
At the end of the period / year	(6,869,551)	(7,565,699)

a) Status of Zakat assessments

During the year ended 31 December 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 31 December 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 31 December 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 31 December 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 2020 and there are no open assessments as of 30 September 2021.

12. RELATED PARTY TRANSACTIONS AND BALANCES

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.

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

For the three-month and nine-month periods ended 30 September 2021

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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>	(Unaudited)		(Unaudited)	
			For the three-month period ended 30 September <u>2021</u>	<u>2020</u>	For the nine-month period ended 30 September <u>2021</u>	<u>2020</u>
Universal Motors Agencies	Affiliate	Purchase of motor vehicles	37,742,185	10,788,318	86,360,320	55,784,386
Universal Motors Agencies	Affiliate	Commission income	1,754,691	--	1,754,691	--

b) Due to a related party

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	(Unaudited)	(Audited)
			As at 30 September <u>2021</u>	As at 31 December <u>2020</u>
Universal Motors Agencies	Affiliate	Purchase of motor vehicles	<u>56,691,355</u>	<u>12,364,852</u>

c) Compensation of key management personnel

<u>Name</u>	<u>Nature of transactions</u>	(Unaudited)		(Unaudited)	
		For the three-month period ended 30 September <u>2021</u>	<u>2020</u>	For the nine-month period ended 30 September <u>2021</u>	<u>2020</u>
Key management personnel	Salaries and bonuses paid / accrued to key management personnel	358,452	329,675	1,007,098	998,357
Directors	Directors' fee	165,000	180,000	495,000	540,000
Key management personnel	End of service indemnities accrued during the period	15,058	15,614	40,350	41,720

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

For the three-month and nine-month periods ended 30 September 2021

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

13. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
	<u>30 September</u>	30 September	<u>30 September</u>	30 September
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Salaries and allowances	2,528,937	2,864,198	8,483,768	8,963,838
Professional charges	793,726	409,250	1,582,346	1,388,485
Rent	209,722	179,234	623,338	592,850
Repair and maintenance	80,419	109,789	248,128	262,938
Depreciation	80,126	80,647	235,726	304,147
Others	801,124	653,362	1,484,416	1,641,979
	<u>4,494,054</u>	<u>4,296,480</u>	<u>12,657,722</u>	<u>13,154,237</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 31 December 2020. 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:

	30 September	31 December
	<u>2021</u>	<u>2020</u>
	(Unaudited)	(Audited)
Finance lease receivables sold under securitization agreements	<u>201,159,410</u>	<u>225,934,200</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2021

(Expressed 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>30 September 2021 (Unaudited)</u>	
	<u>Less than</u> <u>one year</u>	<u>One to</u> <u>five year</u>
Securitization agreements	<u>77,119,401</u>	<u>124,040,009</u>
	<u>31 December 2020 (Audited)</u>	
	<u>Less than</u> <u>one year</u>	<u>One to</u> <u>five year</u>
Securitization agreements	<u>95,343,078</u>	<u>130,591,122</u>

Net servicing liability under agency agreement

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.

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

On 11 March 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.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

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 Al Thani 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 30 September 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. The management has exercised certain judgements in the recognition and measurement of this grant income. However, as at 30 June 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 51.9 million as at 30 September 2021, and therefore the Company is not significantly exposed to liquidity risk.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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17. AMENDMENTS TO EXISTING STANDARDS AND PRONOUNCEMENTS ISSUED

The adoption of the following amendments to the existing standards had no significant impact on the condensed interim 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).

PRONOUNCEMENTS ISSUED AND NOT YET EFFECTIVE

A number of new pronouncements are effective for annual periods beginning on or after January 1, 2021 and earlier application is permitted; however, the entity has not early adopted the new or amended standards in preparing these condensed interim financial statements.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendment to IAS 37);
- Amendments to update a reference to “References to Conceptual Framework (Amendment to IFRS 3)”.
- Annual Improvements to IFRS Standards 2018-2020;
- Property, Plant and Equipment: Proceeds from Intended Use (Amendment to IAS 16);
- IFRS 17 Insurance Contracts and amendments to IFRS 17;
- Definition of Accounting Estimates (Amendments to IAS 8);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1); and
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).

18. DATE OF AUTHORIZATION OF ISSUE

The accompanying condensed interim financial statements have been authorised for issue by the Board of Directors on 27 October 2021, corresponding to 21 Rabi Al Awal 1443H.