

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

CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2017 (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 AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (UNAUDITED)

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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 (a Saudi Closed Joint Stock Company) ("the Company") as of September 30, 2017 and the related condensed interim statement of comprehensive income for the three-month and nine-month periods ended September 30, 2017 and the condensed interim statements of changes in shareholders' equity and cash flows for the nine-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") and Saudi Arabian Monetary Authority's ("SAMA") guidance on accounting for zakat and income taxes. 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 and SAMA's guidance on accounting for zakat and income taxes.

PricewaterhouseCoopers

By: 

Mufaddal A. Ali
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October 26, 2017



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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	
		September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Assets			
Cash and cash equivalents	5	15,758,079	16,884,635
Net investment in finance lease	6	289,650,054	202,777,580
Prepayments and other receivables	7	94,526,092	114,304,897
Property and equipment		1,047,616	1,283,396
Total assets		400,981,841	335,250,508
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	8	100,000,000	100,000,000
Statutory reserve	9	4,350,135	4,350,135
Retained earnings		3,934,214	13,999,221
Total shareholders' equity		108,284,349	118,349,356
Liabilities			
Accounts payable	12	265,358,197	173,169,733
Accrued and other liabilities	10	5,242,656	8,008,248
Provision for zakat	11	2,017,910	3,246,791
Net servicing liability under agency agreement	15	16,908,536	29,508,068
Post-employment benefits		3,170,193	2,968,312
Total liabilities		292,697,492	216,901,152
Total shareholders' equity and liabilities		400,981,841	335,250,508

These condensed interim financial information have been approved by the management on October 26, 2017 and signed on their behalf by:



Director



Chief Financial Office

The notes on pages 7 to 14 form an integral part of these condensed interim financial information.

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

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Income				
Lease income	6,929,349	4,792,180	18,126,752	16,536,753
Fee and other processing income	4,083,910	3,152,211	10,766,107	10,396,003
Net income from finance lease receivable sold to financial institutions	-	10,635,980	-	10,635,980
Other income	634,391	940,162	2,544,475	2,787,131
Total income	11,647,650	19,520,533	31,437,334	40,355,867
Expenses				
Finance charges	(2,585,137)	(979,246)	(6,387,654)	(4,988,126)
Other operating costs	(2,392,365)	(2,716,423)	(9,121,719)	(9,903,401)
General and administrative expenses	(6,215,132)	(6,682,254)	(20,142,968)	(21,563,806)
Impairment of investment in finance lease	(1,200,000)	(1,200,000)	(3,600,000)	(3,600,000)
Total expenses	(12,392,634)	(11,577,923)	(39,252,341)	(40,055,333)
(Loss) / income for the period	(744,984)	7,942,610	(7,815,007)	300,534
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / income for the period	(744,984)	7,942,610	(7,815,007)	300,534

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

	Share Capital	Statutory reserve	Retained earnings	Total
Balance as at January 1, 2016 (audited)	100,000,000	4,350,135	19,444,406	123,794,541
Total comprehensive income for the period (as restated – see note 4)	-	-	300,534	300,534
Zakat charge for the period (as restated – see note 4)	-	-	(2,854,875)	(2,854,875)
Balance as at September 30, 2016 (unaudited)	100,000,000	4,350,135	16,890,065	121,240,200
Balance as at January 1, 2017 (audited)	100,000,000	4,350,135	13,999,221	118,349,356
Total comprehensive loss for the period	-	-	(7,815,007)	(7,815,007)
Zakat charge for the period	-	-	(2,250,000)	(2,250,000)
Balance as at September 30, 2017 (unaudited)	100,000,000	4,350,135	3,934,214	108,284,349

These condensed interim financial information have been approved by the management on October 26, 2017 and signed on their behalf by:

Director

Chief Financial Office

The notes on pages 7 to 14 form an integral part of these condensed interim financial information.

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

		For the nine-month period ended	
		September 30,	
		2017	2016
		(Unaudited)	(Unaudited)
Cash flow operating activities			
(Loss) / income for the period		(7,815,007)	300,534
<u>Adjustments for:</u>			
Depreciation on property and equipment		342,050	471,592
Allowance for impairment against net investment in finance lease	6	3,600,000	3,600,000
Provision for post-employment benefits		434,219	453,365
Financial charges		6,387,654	4,988,126
<u>Changes in working capital:</u>			
Prepayments and other receivables		(7,516,683)	(21,111,954)
Accounts payable		85,800,810	(18,567,314)
Accrued and other liabilities		(2,765,592)	64,455
Net servicing liability under agency agreement		(12,599,532)	1,000,000
Cash generated from / (utilized in) operations		65,867,919	(28,801,196)
Post-employment benefits paid		(232,338)	(135,466)
Zakat paid		(3,478,881)	(3,778,517)
Net cash generated from / (utilized in) operating activities		62,156,700	(32,715,179)
Cash flow from investing activities			
Net investment in finance lease		(90,472,474)	(98,703,059)
Release of security deposits		27,295,488	-
Cash received on sale of investment in finance lease		-	132,997,000
Additions to property and equipment		(106,270)	(69,902)
Net cash (utilized in) / generated from investing activities		(63,283,256)	34,224,039
Net (decrease) / increase in cash and cash equivalents		(1,126,556)	1,508,860
Cash and cash equivalents at the beginning of the period		16,884,635	20,898,659
Cash and cash equivalents at the end of the period	5	15,758,079	22,407,519

These condensed interim financial information have been approved by the management on October 26, 2017 and signed on their behalf by:



Director



Chief Financial Office

The notes on pages 7 to 14 form an integral part of these condensed interim financial information.

DAR AL-ETIMAN AL SAUDI COMPANY

A Saudi Closed Joint Stock Company)

Notes to the condensed interim financial information for the three-month and nine-month periods ended September 30, 2017

(All amounts in Saudi Riyals unless otherwise stated)

1. General information

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

The Company is incorporated as a Saudi Closed Joint Stock Company ("SCJSC") pursuant to Ministerial Resolution No. 486/Q dated Jumad-ul-Thani 11, 1436 (corresponding to September 30, 2015). Prior to its conversion to a Saudi closed joint stock company, the Company was operating as a Limited Liability Company ("LLC") registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030165101 issued in Jeddah on Dhul-Qada 5, 1427H (corresponding to December 5, 2006).

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

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

2. Basis of preparation

During 2017, SAMA issued a circular number 381000074519 dated 14 Rajab 1438H (April 11, 2017) ("Circular") and subsequent amendments through certain clarifications relating to the accounting for zakat and income taxes. The impact of these amendments is that zakat and income taxes will be recognized in the condensed interim statement of shareholders' equity with a corresponding liability in the condensed interim statement of financial position.

Applying the above guidance, the condensed interim financial information of the Company as at and for the three month and nine month periods ended September 30, 2017 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") and SAMA guidance on accounting for zakat and income taxes.

Until 2016, the condensed interim financial information of the Company were prepared in accordance with IAS 34. This change in framework resulted in a change in accounting policy for zakat and income taxes (as disclosed in Note 4) to the condensed interim financial information.

The interim condensed financial information are prepared under the historical cost convention using the accrual basis of accounting and going concern assumptions.

As at September 30, 2017 current liabilities of the Company have exceeded current assets by Saudi Riyals 127.8 million (December 31, 2016: Saudi Riyals: 71.2 million). The Company's financial liabilities primarily consist of accounts payable, accrued and other liabilities. Even though significant portion of these liabilities are expected to be settled within 12 months from the reporting date, the Company expects to have adequate liquid funds to settle its current liabilities through close monitoring of due to both current assets and current liabilities.

The Company's management has prepared its business plan and cash flow forecasts for the twelve months from the reporting date taking into consideration the nature and condition of business, the degree to which it is effected by external factors and other financial data available at the time of preparation of such forecasts. Further, significant portion of the Company's accounts payable related to payable to UMA which maintains an open account with the Company and the Company expects to continue to obtain support from UMA for the next twelve months from the reporting data.

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

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

DAR AL-ETIMAN AL SAUDI COMPANY
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Notes to the condensed interim financial information for the three-month and nine-month periods ended September 30, 2017
(All amounts in Saudi Riyals unless otherwise stated)

Use of estimate

The preparation of these interim condensed 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. Actual results may differ from these estimates.

In preparing these interim condensed financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended December 31, 2016.

In addition, results for the nine-month period ended September 30, 2017 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2017.

3. Summary of significant accounting policies

The accounting policies used in the preparation of these condensed interim financial information are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2016, except for the change in accounting policy relating to zakat as follows:

In accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"), the Company is subject to zakat. As explained in Note 2, provision for zakat is charged to the statement of changes in equity. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. Until 2016, zakat was charged to the statement of comprehensive income as per the requirements of International Financial Reporting Standards ("IFRS"). Therefore, the condensed interim financial information have been restated and the effects of the above change are disclosed in Note 4 to the condensed interim financial information.

New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

The Company has adopted the following amendments and revisions to existing standards, if any, which were issued by the International Accounting Standards Board (IASB) effective for the financial reporting period commencing on or after January 1, 2017:

Standard	Description
IAS 7	Amendments to IAS 7, 'Statement of cash flows' on disclosure initiative: These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. This amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
IAS 12	Amendments to IAS 12, 'Income taxes' on recognition of deferred tax assets for unrealised losses: These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debit instruments measured at fair value.

New standards, amendments to the published approved accounting standards and new interpretations that are not yet effective and have not been early adopted by the Company

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

DAR AL-ETIMAN AL SAUDI COMPANY
A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information for the three-month and nine-month periods ended
September 30, 2017
(All amounts in Saudi Riyals unless otherwise stated)

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 2	Amendments to IFRS 2, 'Share based payments', on clarifying how to account for certain types of share-based payment transactions.	January 1, 2018
IFRS 9	Financial instruments	January 1, 2018
IFRS 15	Revenue from contracts with customers	January 1, 2018
IFRS 4	Amendment to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'	January 1, 2018
IAS 40	Amendment to IAS 40, 'Investment property' relating to transfers of investment property	January 1, 2018
Annual improvements 2014-2016	These amendments impact the following standards: <ul style="list-style-type: none"> IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10. IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value. 	January 1, 2018
IFRIC 22	Foreign currency transaction and advance consideration	January 1, 2018
IFRS 16	Leases	January 1, 2019
IFRS 17	Insurance contracts	January 1, 2021

3.1 Reclassifications

Following reclassifications have been made in the comparative 2016 condensed interim financial information to conform to 2017 presentation:

Condensed Interim Statement of Comprehensive Income

For better presentation, 'other income' for the three-month and nine-month period ended September 30, 2016 amounting to Saudi Riyals 96,188 and Saudi Riyals 465,095 respectively, have been reclassified and presented in 'lease income' on the face of the condensed interim statement of comprehensive income.

4. Change in accounting policy

The change in the accounting policy for zakat (as explained in Note 2) has the following impact on the condensed interim statements of comprehensive income and of changes in shareholders' equity:

For the nine-month period ended September 30, 2016:

	As previously reported (Unaudited)	Effect of restatement	As restated (Unaudited)
Statement of comprehensive income			
Zakat	(2,854,875)	2,854,875	-
Income for the period	(2,554,341)	2,854,875	300,534
Total comprehensive loss for the period	(2,554,341)	2,854,875	300,534
Statement of changes in shareholders' equity			
Total comprehensive loss for the period	(2,554,341)	2,854,875	300,534
Zakat charge for the period	-	(2,854,875)	(2,854,875)

DAR AL-ETIMAN AL SAUDI COMPANY
A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information for the three-month and nine-month periods ended
September 30, 2017
(All amounts in Saudi Riyals unless otherwise stated)

For the three-month period ended September 30, 2016

	As previously reported (Unaudited)	Effect of restatement	As restated (Unaudited)
Statement of comprehensive income			
Zakat	(959,183)	959,183	-
Income for the period	6,983,427	959,183	7,942,610
Total comprehensive loss for the period	6,983,427	959,183	7,942,610

The above change in accounting policy did not have any effect on the condensed interim statement of financial position as of December 31, 2016 and the condensed interim statement of cash flows for the nine-month period ended September 30, 2016.

5. Cash and cash equivalents

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Cash in hand	1,438,470	1,153,752
Cash at banks	14,319,609	15,730,883
	<u>15,758,079</u>	<u>16,884,635</u>

6. Net investment in finance lease

	Note	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Gross investment in finance lease		422,412,985	299,971,065
Less: Unearned finance income and other related credits		(109,456,337)	(77,416,076)
Net investment in finance lease		312,956,648	222,554,989
Less: Impairment against net investment in finance lease	6.2	(23,306,594)	(19,777,409)
		<u>289,650,054</u>	<u>202,777,580</u>

6.1 Details of net investment in finance lease

	September 30, 2017 (Unaudited)			
	Gross investments in finance lease	Unearned finance income and other related credits	Impairment against net investment in finance lease	Net investments in finance lease
Less than a year	144,639,478	(37,767,683)	(23,306,594)	83,565,201
One to five years	277,773,507	(71,688,654)	-	206,084,853
	<u>422,412,985</u>	<u>(109,456,337)</u>	<u>(23,306,594)</u>	<u>289,650,054</u>
	December 31, 2016 (Audited)			
	Gross investments in finance lease	Unearned finance income and other related credits	Impairment against net investment in finance lease	Net investments in finance lease
Less than a year	101,166,932	(25,099,412)	(19,777,409)	56,290,111
One to five years	198,804,133	(52,316,664)	-	146,487,469
	<u>299,971,065</u>	<u>(77,416,076)</u>	<u>(19,777,409)</u>	<u>202,777,580</u>

DAR AL-ETIMAN AL SAUDI COMPANY
A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information for the nine-month periods ended September 30, 2017
(All amounts in Saudi Riyals unless otherwise stated)

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

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

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

Twelve months period ending September 30:

2019	54,930,923
2020	50,443,486
2021	61,303,147
2022	39,407,297
	<u>206,084,853</u>

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

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Opening balance	19,777,409	28,147,448
Charge	3,600,000	4,800,000
Write-offs	(70,815)	(13,170,039)
Closing balance	<u>23,306,594</u>	<u>19,777,409</u>

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

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Less than 90 days	7,077,258	3,475,315
91-180 days	3,226,879	1,645,579
181-365 days	3,245,513	1,443,400
More than 365 days	26,536,384	22,475,057
	<u>40,086,034</u>	<u>29,039,351</u>
Impairment against net investment in finance lease	(23,306,594)	(19,777,409)
Total	<u>16,779,440</u>	<u>9,261,942</u>

Evaluation of impairment is performed on a quarterly basis taking into consideration historical trends, past experience and forecasts of defaults and prepayments. The not yet due portion of the above balances included in investment in finance lease is Saudi Riyals 157.6 million (December 31, 2016: Saudi Riyals 84.32 million).

In prior years, the Company has sold its receivable from finance lease contracts to various financial institutions and derecognized such receivables. Further, the Company has entered into an arrangement for servicing such sold finance lease receivables. See details in Note 15.

7. Prepayments and other receivables

		September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Restricted deposits	7.1	69,083,577	96,379,065
Prepaid insurance		16,751,744	11,684,965
Receivable from employees		2,046,867	1,943,503
Other prepayments and receivables		6,643,904	4,297,364
		<u>94,526,092</u>	<u>114,304,897</u>

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

Notes to the condensed interim financial information for the nine-month periods ended September 30, 2017
(All amounts in Saudi Riyals unless otherwise stated)

7.1 The financial institutions require the Company to keep certain balance as restricted deposit against sold receivables. These deposits are released at the end of securitization contracts and are recorded at their fair value. The non-current portion of these restricted deposits is amounting to Saudi Riyals 46 million (2016: Saudi Riyals 57.8 million).

8. Share capital

The share capital of the Company as of September 30, 2017 and December 31, 2016 was comprised of 100,000 shares stated at Saudi Riyals 1,000 per share owned as follows:

	Nationality	Shareholding	
		September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Modern Ajwad for Commercial Investment Company Limited	Saudi	60.0%	60.0%
Tawad Commercial Investment Company Limited	Saudi	37.5%	37.5%
Saudi Diesel Equipment Company Limited	Saudi	1.0%	1.0%
Trans Arabian Technical Services Company Limited	Saudi	1.0%	1.0%
Arabian Property Company Limited.	Saudi	0.5%	0.5%
		100%	100%

9. Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 30% of its share capital. The statutory reserve in the accompanying condensed interim financial information is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

10. Accrued and other liabilities

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Employee related accruals	3,048,254	3,029,717
Advances from customers	517,919	3,540,510
Accrued board of directors remuneration	405,000	1,080,000
Other accruals	1,271,483	358,021
	5,242,656	8,008,248

11. Provision for zakat

The Company has filed its zakat declarations with General Authority of Zakat and Tax (the "GAZT") till 2016 and has received final zakat assessments till the year 2010. The Zakat declarations for the year 2011 to 2016 are still under review of GAZT.

12. Related party transactions

During the period, the Company has transactions with Universal Motors Agencies ("UMA"), an affiliate.

Significant transactions with related party in the ordinary course of business included in the condensed interim financial information are summarized below:

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Purchase of motor vehicles	52,884,984	56,449,249	152,069,092	167,712,270
Finance cost charged by UMA	2,432,123	979,246	6,066,954	4,988,126

DAR AL-ETIMAN AL SAUDI COMPANY**A Saudi Closed Joint Stock Company)****Notes to the condensed interim financial information for the nine-month periods ended September 30, 2017**

(All amounts in Saudi Riyals unless otherwise stated)

Compensation of key management personnel

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Salaries and bonuses paid / accrued to key management personnel	263,365	233,361	1,285,743	1,494,264
End of service indemnities accrued during the period	16,781	66,378	77,553	99,752
Board of directors remuneration	135,000	135,000	405,000	945,000

Payable to a related party

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

Relationship	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
	Universal Motors Agencies	230,547,083

13. Financial risk management

The Company's activities are exposed to a variety of financial risks which mainly include market risk (including foreign exchange risk, interest rate risk and price risk) credit risk and liquidity risk. The condensed interim financial information do not include all financial risk management information and disclosures required in the annual financial statements; and therefore should be read in conjunction with the Company's annual financial statements as at December 31, 2016. There have been no changes in the risk management policies since the year end.

14. Seasonality of operations

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

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:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Finance lease receivables sold under securitization agreements	207,957,043	339,333,382

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

	September 30, 2017 (Unaudited)	
	Less than one year	One to five year
Securitization agreements	113,069,085	94,887,958
	December 31, 2016 (Audited)	
	Less than one year	One to five year
Securitization agreements	160,927,419	178,394,963

DAR AL-ETIMAN AL SAUDI COMPANY

A Saudi Closed Joint Stock Company)

Notes to the condensed interim financial information for the nine-month periods ended September 30, 2017

(All amounts in Saudi Riyals unless otherwise stated)

Net servicing liability under agency agreement for sold receivable

Under the securitization and agency agreements, the Company has been appointed by the financial institutions to service the sold receivables. Where the Company is appointed to service the derecognized financial assets for a fee, the Company initially recognises either a net servicing asset or a net servicing liability for that servicing contract at its fair value. Such fees are netted-off with related cost of servicing such sold finance lease receivables.

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 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.