

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

CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31,  
2020 (UNAUDITED)  
AND REPORT ON REVIEW OF INTERIM FINANCIAL  
INFORMATION

**DAR AL-ETIMAN AL SAUDI COMPANY  
(A Saudi Closed Joint Stock Company)  
UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE THREE-MONTH PERIOD MARCH 31, 2020**

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## Report on review of interim financial information

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

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of Dar Al-Etiman Al Saudi Company as of March 31, 2020 and the related condensed statements of comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

### PricewaterhouseCoopers

Mufaddal A. Ali  
License Number 447

May 13, 2020



**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)

		<b>As at</b>	
		<b>March 31,</b>	<b>December 31,</b>
	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Assets</b>			
Cash and cash equivalents	4	<b>47,360,940</b>	47,180,166
Net investment in finance leases	5	<b>78,263,343</b>	69,066,224
Prepayments and other receivables	6	<b>60,072,505</b>	64,619,186
Zakat refundable		<b>7,778,369</b>	7,799,150
Financial asset at fair value through other comprehensive income		<b>892,850</b>	892,850
Property and equipment		<b>525,675</b>	655,014
<b>Total assets</b>		<b>194,893,682</b>	190,212,590
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital	7	<b>100,000,000</b>	100,000,000
Statutory reserve	8	<b>5,058,470</b>	5,058,470
Retained earnings		<b>9,471,714</b>	12,713,598
<b>Total shareholders' equity</b>		<b>114,530,184</b>	117,772,068
<b>Liabilities</b>			
Trade and other payables		<b>46,266,933</b>	34,256,128
Accrued and other liabilities	9	<b>8,095,038</b>	9,417,021
Net servicing liability under agency agreement	14	<b>23,296,994</b>	26,111,844
Employee benefit obligations		<b>2,704,533</b>	2,655,529
<b>Total liabilities</b>		<b>80,363,498</b>	72,440,522
<b>Total shareholders' equity and liabilities</b>		<b>194,893,682</b>	190,212,590

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

Director

Chief Financial Officer

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

	Note	For the three-month period ended March 31,	
		2020 (Unaudited)	2019 (Unaudited) Restated
<b>Income</b>			
Income from finance leases		3,481,580	8,265,833
Net income from finance lease receivable sold to financial institutions		-	10,762,284
Other income		1,238,205	2,000,529
<b>Total income</b>		<b>4,719,785</b>	<b>21,028,646</b>
<b>Expenses</b>			
Finance income / (charges), net		61,356	(1,158,416)
General and administrative expenses		(4,313,127)	(5,310,856)
Allowance for impairment on investment in finance leases	5	(1,450,000)	(2,700,000)
Other operating costs		(2,239,117)	(4,667,548)
<b>Total expenses</b>		<b>(7,940,888)</b>	<b>(13,836,820)</b>
<b>(Loss) / profit before zakat</b>		<b>(3,221,103)</b>	7,191,826
Zakat expense, as restated		(20,781)	(370,765)
<b>(Loss) / profit for the period</b>		<b>(3,241,884)</b>	6,821,061
Other comprehensive income		-	-
<b>Total comprehensive (loss) / income for the period</b>		<b>(3,241,884)</b>	<b>6,821,061</b>

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

Director

Chief Financial Officer

**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)

	<b>Share capital</b>	<b>Statutory reserve</b>	<b>Retained earnings</b>	<b>Total</b>
<b>(Unaudited)</b>				
<b>Balance as at January 1, 2020</b>	100,000,000	5,058,470	12,713,598	117,772,068
Loss for the period	-	-	(3,241,884)	(3,241,884)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(3,241,884)	(3,241,884)
<b>Balance as at March 31, 2020</b>	100,000,000	5,058,470	9,471,714	114,530,184
<b>(Unaudited)</b>				
<b>Balance as at January 1, 2019</b>	100,000,000	4,454,606	7,278,819	111,733,425
Profit for the period	-	-	6,821,061	6,821,061
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	6,821,061	6,821,061
<b>Balance as at March 31, 2019</b>	100,000,000	4,454,606	14,099,880	118,554,486

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

Director

Chief Financial Officer

**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)

		<b>For the three-month period ended March 31,</b>	
		<b>2020</b>	<b>2019</b>
<b>Note</b>		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities</b>			
	(Loss) / profit before zakat	<b>(3,221,103)</b>	7,191,826
	<u>Adjustments for:</u>		
	Depreciation on property and equipment	<b>130,386</b>	75,865
	Impairment charge against investment in finance lease	<b>1,450,000</b>	2,700,000
5	Provision for employee benefit obligations	<b>122,108</b>	149,341
	Finance (income) / charges, net	<b>(61,356)</b>	1,158,416
<u>Changes in working capital:</u>			
	Prepayments and other receivables	<b>4,546,681</b>	(6,538,793)
	Accounts payable	<b>12,010,805</b>	(146,133,544)
	Accrued and other liabilities	<b>(1,260,627)</b>	(1,791,814)
	Net servicing liability under agency agreement	<b>(2,814,850)</b>	13,243,860
	Net cash generated from / (utilized in) operations	<b>10,902,044</b>	(129,944,843)
	Employee benefit obligations paid	<b>(73,104)</b>	(249,090)
	Net cash generated from / (utilized in) operating activities	<b>10,828,940</b>	(126,495,115)
<b>Cash flow from investing activities</b>			
	Cash received on sale of investment in finance leases	-	146,281,343
	Investment in finance leases	<b>(10,647,119)</b>	(29,465,607)
	Release of restricted deposit	-	24,980,537
	Additions to property and equipment	<b>(1,047)</b>	(609,567)
	Net cash (utilized in) / generated from investing activities	<b>(10,648,166)</b>	141,186,706
	<b>Net increase in cash and cash equivalents</b>	<b>180,774</b>	10,992,773
	Cash and cash equivalents at beginning of the period	<b>47,180,166</b>	9,138,511
	<b>Cash and cash equivalents at end of the period</b>	<b>47,360,940</b>	20,131,284
4			

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

Director

Chief Financial Officer

## **DAR AL-ETIMAN AL SAUDI COMPANY**

### **(A Saudi Closed Joint Stock Company)**

#### **Notes to the condensed interim financial information for the three-month period ended March 31, 2020**

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

The Company has obtained license No. 33/AM/201605 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**

2.1 The condensed interim financial statements of the Company as at and for the three-month period ended March 31, 2020 have been prepared in accordance with International Accounting Standard "Interim Financial Reporting"- ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

The financial statements of the Company as at and for the three-month period ended March 31, 2019 were prepared in compliance with the IAS 34 and the International Financial Reporting Standards ("IFRS") respectively, as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to zakat and income tax) and the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

On July 17, 2019, SAMA instructed the finance companies in the Kingdom of Saudi Arabia to account for the zakat in the statement of comprehensive income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by SOCPA (collectively referred to as "IFRS as endorsed in KSA").

Accordingly, the Company changed its accounting treatment for zakat by retrospectively adjusting the impact in line with International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (as disclosed in Note 15) and the effects of this change are disclosed in Note 15 to the condensed interim financial information.

2.2 The condensed interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2019.

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

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

2.5 Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2020 reporting period and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.



**DAR AL-ETIMAN AL SAUDI COMPANY**

**(A Saudi Closed Joint Stock Company)**

**Notes to the condensed interim financial information for the three-month period ended March 31, 2020**

(All amounts in Saudi Riyals unless otherwise stated)

**2. Basis of preparation (continued)**

**2.6 Use of judgments and estimates**

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

In addition, results for the three-month period ended March 31, 2020 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2020.

In preparing these condensed interim financial information, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended December 31, 2019 except for the estimates described below:

***Measurement of the expected credit loss allowance***

In the preparation of the condensed interim financial information management has made certain additional assumptions in the measurement of Expected Credit Loss (ECL). Explanation of such inputs, assumptions and estimation techniques used in measuring ECL are further detailed in Note 16 of these condensed interim financial statements. However, in view of the current uncertainty as explained in Note 16, any future change in the assumptions and key estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

**3. Significant accounting policies**

The accounting policies used in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended December 31, 2019 except for change in in the accounting policy in relation to accounting for zakat as mentioned in Note 2.1 above, and the following accounting policy adopted during the three-month period ended March 31, 2020.

***Accounting policy related to government grants***

The Company recognises a government grant related to income, if there is a reasonable assurance that it will be received, and the Company will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of interest is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9 'Financial Instruments'. The benefit of the below-market rate of interest is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. Government grant is recognised in statement of income on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants is intended to compensate.

**4. Cash and cash equivalents**

	<b>March 31, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Cash in hand	1,073,841	344,377
Cash at banks	10,287,099	11,835,789
Short-term deposit	36,000,000	35,000,000
	<b>47,360,940</b>	<b>47,180,160</b>

**DAR AL-ETIMAN AL SAUDI COMPANY****(A Saudi Closed Joint Stock Company)****Notes to the condensed interim financial information for the three-month period ended March 31, 2020**

(All amounts in Saudi Riyals unless otherwise stated)

**4. Cash and cash equivalents (continued)**

Short-term deposits are placed with a local commercial bank with a term of up to one month and denominated in Saudi Riyals. These term deposits yield financial income at prevailing market rates.

**5. Investment in finance leases**

	<b>March 31, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Gross investment in finance leases	<b>135,970,852</b>	120,552,934
Less: Unearned finance income and other related credits	<b>(35,021,435)</b>	(30,212,244)
Present value of minimum lease payments receivable	<b>100,949,417</b>	90,340,690
Less: Allowance for impairment against investment in finance leases	<b>(22,686,074)</b>	(21,274,466)
Net investment in finance leases	<b><u>78,263,343</u></b>	<u>69,066,224</u>

The Company's implicit rate of return on leases ranges between 9% and 11% per annum (2019: 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 gross investment in finance leases:

Twelve months period ending March 31:

2020-2021	<b>51,661,638</b>
2021-2022	<b>28,931,363</b>
2022-2023	<b>20,478,218</b>
2023-2024	<b>15,145,003</b>
2024-2025	<b>19,308,407</b>
2025-2026	<b>446,223</b>
	<b><u>135,970,852</u></b>

During the period ended March 31, 2019, the Company sold its finance lease receivables (investment in finance leases) amounting to Saudi Riyals 188.5 million (March 31, 2020: Nil) to a financial institution and derecognized the same from its financial statements and recorded a net gain amounting to Saudi Riyals 10.76 million (March 31, 2020: Nil) on such derecognition.

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

	<b>March 31, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Opening	<b>21,274,466</b>	28,608,630
Charged during the period	<b>1,450,000</b>	4,800,000
Write-offs	<b>(38,392)</b>	(12,134,164)
Closing	<b><u>22,686,074</u></b>	<u>21,274,466</u>

**DAR AL-ETIMAN AL SAUDI COMPANY****(A Saudi Closed Joint Stock Company)****Notes to the condensed interim financial information for the three-month period ended March 31, 2020**

(All amounts in Saudi Riyals unless otherwise stated)

**5. Investment in finance leases (continued)****5.2** Category-wise allowance for impairment on investment in finance leases is as follows:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Performing	<b>257,663</b>	79,126
Under-performing	<b>665,074</b>	490,265
Non-performing	<b>21,763,337</b>	20,705,075
	<b>22,686,074</b>	21,274,466

**6. Prepayments and other receivables**

	<b>Note</b>	<b>March 31, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Restricted deposits	6.1	<b>51,967,219</b>	51,387,662
Prepaid insurance		<b>3,770,458</b>	7,195,236
Due from a related party		-	2,552,937
Receivable from employees		<b>1,606,945</b>	1,722,059
Other prepayments and receivables		<b>2,727,883</b>	1,761,292
		<b>60,072,505</b>	64,619,186

**6.1** The Company has been appointed as a servicing agent for the sold receivables to the financial institutions therefore the financial institutions require the Company to keep certain balance as restricted deposit against such services for sold receivables. These deposits will be released at the end of securitization contracts and are recorded at their amortised cost. The non-current portion of these restricted deposits is amounting to Saudi Riyals 37.1 million (December 31, 2019: Saudi Riyals 51.4 million).

**7. Share capital**

The share capital of the Company as of March 31, 2020 and December 31, 2019 was comprised of 100,000 shares stated at Saudi Riyals 1,000 per share owned as follows:

		<b>Shareholding</b>	
	<b>Country of incorporation</b>	<b>March 31, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Modern Ajwad for Commercial Investment Company Limited	Saudi Arabia	<b>60%</b>	60%
Tawad Holding Company	Saudi Arabia	<b>40%</b>	40%
		<b>100%</b>	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 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.

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

**Notes to the condensed interim financial information for the three-month period ended March 31, 2020**

(All amounts in Saudi Riyals unless otherwise stated)

**9. Accrued and other liabilities**

	<b>March 31, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Employee related accruals	<b>5,125,690</b>	4,765,574
Accrued board of directors' fee	<b>180,000</b>	387,366
Advances from customers	<b>256,786</b>	660,000
Other accruals	<b>2,532,562</b>	3,604,081
	<b>8,095,038</b>	9,417,021

**10. Zakat matters**

During the year ended December 31, 2019, the GAZT had provided a revised formula for computation of zakat from the year 2019 and onwards for companies involved in financing activities. Provision for zakat is calculated at 2.578% of the zakat base subject to minimum and maximum capping / threshold of 4 times or 8 times of net profit before zakat. Previously, provision for zakat was calculated at 2.5% of zakat based and adjusted net income, whichever is higher.

The Company has filed its zakat declarations with GAZT up to 2018 and there are no open assessments as of March 31, 2020.

**11. Related party transactions**

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

<b>Name</b>	<b>Relationship</b>
Universal Motors Agencies ("UMA")	Affiliate
Key management personnel	Connected persons

The significant transactions and related amounts are as follows:

	<b>Three-month period ended March 31, 2020 (Unaudited)</b>	<b>March 31, 2019 (Unaudited)</b>
Purchase of motor vehicles	<b>21,515,360</b>	16,341,783
Finance cost charged by UMA	-	1,159,116

**Compensation of key management personnel**

	<b>Three-month period ended March 31, 2020 (Unaudited)</b>	<b>March 31, 2019 (Unaudited)</b>
Salaries and bonuses paid / accrued to key management personnel	<b>319,849</b>	240,272
Directors remuneration	<b>180,000</b>	135,000
End of service indemnities accrued during the period	<b>12,537</b>	13,953

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

**Notes to the condensed interim financial information for the three-month period ended**  
**March 31, 2020**

(All amounts in Saudi Riyals unless otherwise stated)

**11 Related party transactions (continued)**

**Balances with a related party**

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

		<b>March 31, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Due from Universal Motors Agencies	Affiliate	-	<u><b>2,552,937</b></u>

		<b>March 31, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Due to Universal Motors Agencies (included in Trade and other payables)	Affiliate	<u><b>15,888,530</b></u>	-

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

**12. Financial risk management**

The Company's activities are exposed to a variety of financial risks which mainly include market risk (including foreign exchange risk, interest rate risk and price risk) credit risk and liquidity risk. The condensed interim financial information do not include all financial risk management information and disclosures required in the annual financial statements; and therefore, should be read in conjunction with the Company's annual financial statements as at December 31, 2019. There have been no changes in the risk management policies since the year end.

**13. Seasonality of operations**

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

**14. Finance lease receivables – securitization and agency agreements**

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

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

	<b>March 31, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Finance lease receivables sold under securitization agreements	<u><b>265,937,663</b></u>	<u>295,493,064</u>

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

	<b>March 31, 2020 (unaudited)</b>	
	<b>Less than one year</b>	<b>One to five year</b>
Securitization agreements	<u><b>106,396,802</b></u>	<u><b>159,540,861</b></u>

**DAR AL-ETIMAN AL SAUDI COMPANY****(A Saudi Closed Joint Stock Company)****Notes to the condensed interim financial information for the three-month period ended March 31, 2020**

(All amounts in Saudi Riyals unless otherwise stated)

**14 Finance lease receivables – securitization and agency agreement (continued)**

	<b>December 31, 2019 (Audited)</b>	
	<b>Less than one</b>	
	<b>year</b>	<b>One to five year</b>
Securitization agreements	108,318,311	187,174,753

**Net servicing liability under agency agreements**

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

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

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

**15. Restatement due to change in accounting treatment relating to zakat**

The change in the accounting treatment for zakat (as explained in Note 2) has the following impact on the line items of the interim statements of income, financial position and changes in shareholders' equity:

As at and for the three-month period ended March 31, 2019:

<b>Financial information impacted</b>	<b>Account</b>	<b>Before the restatement for the three-month period ended March 31, 2019 (Unaudited)</b>	<b>Effect of restatement relating to zakat</b>	<b>As restated as at and for the three-month period ended March 31, 2019 (Unaudited)</b>
Condensed interim statement of changes in shareholders' equity	Provision for zakat (retained earnings)	370,765	(370,765)	-
Condensed interim statement of comprehensive income	Zakat expense	-	370,765	370,765

The above change in accounting policy did not have any effect on the condensed interim statement of cash flows for the three-month period ended March 31, 2019.

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

During 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.

**DAR AL-ETIMAN AL SAUDI COMPANY  
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**Notes to the condensed interim financial information for the three-month period ended  
March 31, 2020**

(All amounts in Saudi Riyals unless otherwise stated)

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

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic. The Company has evaluated the current situation through conducting stress testing scenarios on expected movements of oil prices and its impact on key credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices to manage the potential business disruption due to COVID-19 outbreak that may have on its operations and financial performance. The steps taken by management also include commencing review of credit exposure concentrations at a more granular level such as the economic sectors, regions, country, counterparty etc., collateral protection, timely review and customer credit rating actions and appropriately restructuring loans, where required. These also take into consideration the impacts of government and SAMA support relief programmes.

These current events and the prevailing economic condition require the Company to revise certain inputs and assumptions used for the determination of expected credit losses (“ECL”). These would primarily revolve around either adjusting macroeconomic factors used by the Company in estimation of expected credit losses and revisions to the scenario probabilities currently being used by the Company in ECL estimation. The adjustments to macroeconomic factors and scenario weightings resulted in an additional ECL of Saudi Riyals 0.25 million for the Company. 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 judgemental and the Company will continue to reassess its position and the related impact on a regular basis.

At this point in time, it is difficult to ascertain the specific effects the health crisis and government and SAMA support measures, such as the repayment holidays and other mitigating packages, will have. The Company has therefore concluded that it was too early for any potential credit impairment to be reflected through application of the staging criteria and focused on the macroeconomic model underpinning the PD and LGD determinations. The Company will continue to individually assess significant corporate exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

**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 is required to defer payments for six months on lending facilities to those companies that qualify as MSMEs. The payment reliefs are 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 the 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 in 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.

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**Notes to the condensed interim financial information for the three-month period ended March 31, 2020**

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

In order to compensate all the related cost that the Company is expected to incur under the SAMA program, the Company has received Saudi Riyals 1.05 million of profit free deposit from SAMA in April 2020. 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 income for the three-month period ended March 31, 2020 with other income and the corresponding amount has been recognized as receivable within prepayments and other receivables. The management has exercised certain judgements in the recognition and measurement of this grant income.

**17. Financial risk management**

The financial risk management policies are consistent with those disclosed in the Branch’s financial statements for the year ended 31 December 2019, except for the specific measures mentioned earlier in Note 14.

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 47.4 million as at March 31, 2020, and therefore the Company is not significantly exposed to liquidity risk.

**18. Subsequent events**

There have been no events subsequent to the reporting date that would significantly affect the amounts reported in the condensed interim financial information as at and for the three-month period ended March 31, 2020.

**19. Date of authorization of issue**

The accompanying condensed interim financial information was authorized for issuance by the Company’s management on May 13, 2020.