

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

**CONDENSED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**
For the three-month and six-month periods ended
30 June 2023
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 six-month periods ended 30 June 2023

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KPMG Professional Services

Zahran Business Center
Prince Sultan Street
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي ام جي للاستشارات المهنية

مركز زهران للأعمال
شارع الأمير سلطان
ص. ب. 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

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

To the Shareholders of Dar Al Etiman Al Saudi Company

Introduction

We have reviewed the accompanying 30 June 2023 condensed interim financial statements of Dar Al Etiman Al Saudi Company ("the Company") which comprises:

- the condensed interim statement of financial position as at 30 June 2023;
- the condensed interim statements of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2023;
- the condensed interim statement of changes in equity for the six-month period ended 30 June 2023;
- the condensed interim statement of cash flows for the six-month period ended 30 June 2023; 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 June 2023 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

Nasser Ahmed Al Shutairy
License No. 454



Jeddah, 27 July 2023
Corresponding to 9 Muharram 1445H

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR40,000,000 (previously known as "KPMG Al Fozan & Partners Certified Public Accountants") and 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 ام جي للاستشارات المهنية شركة مهيبة مسجلة، مسجلة في المملكة العربية السعودية، رأس ماله (40,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي ام جي للفوزان وشركاه محاسبين ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية للشركات كي بي ام جي المستقلة والتابعة لـ كي بي ام جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.

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

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	<u>Notes</u>	30 June 2023 (Unaudited)	31 December 2022 (Audited)
ASSETS			
Cash and cash equivalents	4	11,562,339	8,098,364
Net investment in finance leases	5	194,014,600	175,280,522
Islamic financing receivables	6	149,017	--
Prepayments and other receivables	7	39,620,467	42,061,454
Zakat refundable	12	5,563,266	6,090,670
Financial asset at fair value through other comprehensive income		892,850	892,850
Property and equipment		452,010	513,495
Total assets		252,254,549	232,937,355
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	8	100,000,000	100,000,000
Statutory reserve	9	5,482,361	5,482,361
Retained earnings		13,798,883	11,768,738
Actuarial gain on employees' defined benefit obligations		205,839	205,839
Total shareholders' equity		119,487,083	117,456,938
Liabilities			
Trade and other payables	10	115,234,467	96,176,716
Accrued and other liabilities	11	9,269,571	8,627,785
Net servicing liability under agency agreement	18	5,384,706	7,894,140
Employees' defined benefit obligations		2,878,722	2,781,776
Total liabilities		132,767,466	115,480,417
Total shareholders' equity and liabilities		252,254,549	232,937,355


Chief Financial Officer


Chief Executive Officer


Chairman of Board of Directors

The accompanying notes 1 to 20 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 six-month periods ended 30 June 2023
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	Notes	Three-month periods ended 30 June		Six-month periods ended 30 June	
		2023	2022	2023	2022
Income					
Income from finance leases		7,706,949	4,161,380	14,083,235	7,756,923
Income from Islamic financing		10,357	--	10,357	--
Other income	14	2,786,716	2,889,790	5,313,022	5,647,373
Total income		10,504,022	7,051,170	19,406,614	13,404,296
Expenses					
General and administrative expenses	15	(4,083,852)	(4,487,124)	(8,166,901)	(8,833,299)
Allowance for expected credit losses on investment in finance leases	5	(1,168,698)	(1,200,000)	(2,361,804)	(2,400,000)
Allowance for expected credit losses on Islamic financing receivables	6	(31,302)	--	(38,196)	--
Other operating costs	16	(3,471,057)	(1,957,396)	(6,282,164)	(3,735,970)
Total expenses		(8,754,909)	(7,644,520)	(16,849,065)	(14,969,269)
Profit/ (loss) before Zakat		1,749,113	(593,350)	2,557,549	(1,564,973)
Zakat	12	(360,693)	(45,449)	(527,404)	(82,918)
Profit/ (loss) for the period		1,388,420	(638,799)	2,030,145	(1,647,891)
Other comprehensive income		--	--	--	--
Total comprehensive income / (loss) for the period		1,388,420	(638,799)	2,030,145	(1,647,891)


Chief Financial Officer


Chief Executive Officer


Chairman of Board of Directors

The accompanying notes 1 to 20 form an integral part of these condensed interim financial statements.

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

CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six-months period ended 30 June 2023

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Actuarial gain on employees' defined benefit obligations</u>	<u>Total</u>
Balance as at 1 January 2022	100,000,000	5,224,857	9,451,201	332,642	115,008,700
Loss for the period	--	--	(1,647,891)	--	(1,647,891)
Other comprehensive income	--	--	--	--	--
Total comprehensive loss for the period	--	--	(1,647,891)	--	(1,647,891)
Balance as at 30 June 2022	<u>100,000,000</u>	<u>5,224,857</u>	<u>7,803,310</u>	<u>332,642</u>	<u>113,360,809</u>
Balance as at 1 January 2023	100,000,000	5,482,361	11,768,738	205,839	117,456,938
Profit for the period	--	--	2,030,145	--	2,030,145
Other comprehensive income	--	--	--	--	--
Total comprehensive income for the period	--	--	2,030,145	--	2,030,145
Balance as at 30 June 2023	<u>100,000,000</u>	<u>5,482,361</u>	<u>13,798,883</u>	<u>205,839</u>	<u>119,487,083</u>


Chief Financial Officer


Chief Executive Officer


Chairman of Board of Directors

The accompanying notes 1 to 20 form an integral part of these condensed interim financial statements.


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


CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-months period ended 30 June 2023

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	Notes	30 June 2023	30 June 2022
Cash flows from operating activities			
Profit / (loss) before Zakat		2,557,549	(1,564,973)
<i>Adjustments for non-cash items:</i>			
Depreciation on property and equipment		107,145	62,609
Allowance for expected credit losses on investment in finance leases	5	2,361,804	2,400,000
Allowance for expected credit losses on Islamic financing receivables	6	38,196	--
Provision for employees' defined benefit obligations		216,570	263,242
		<u>5,281,264</u>	<u>1,160,878</u>
<i>Changes in operating assets and liabilities</i>			
Prepayments and other receivables		2,440,987	3,623,776
Trade and other payables		19,057,751	36,281,536
Accrued and other liabilities		641,786	534,214
Net servicing liability under agency agreement		<u>(2,509,434)</u>	<u>(5,027,593)</u>
Cash generated from operations		<u>24,912,354</u>	<u>36,572,811</u>
Employees' defined benefit obligations paid		<u>(119,625)</u>	<u>(485,998)</u>
Net cash generated from operating activities		<u>24,792,729</u>	<u>36,086,813</u>
Cash flow from investing activities			
Net investment in finance leases		(21,095,880)	(63,460,680)
Islamic financing receivables		(187,213)	--
Additions to property and equipment		<u>(45,661)</u>	<u>(199,226)</u>
Net cash used in investing activities		<u>(21,328,754)</u>	<u>(63,659,906)</u>
Net increase / (decrease) in cash and cash equivalents			
		3,463,975	(27,573,093)
Cash and cash equivalents at beginning of the period		<u>8,098,364</u>	<u>95,233,510</u>
Cash and cash equivalents at end of the period	4	<u><u>11,562,339</u></u>	<u><u>67,660,417</u></u>


Chief Financial Officer


Chief Executive Officer


Chairman of Board of Directors

The accompanying notes 1 to 20 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 six-month periods ended 30 June 2023

(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 11 Jumad-ul-Thani 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 5 Dhul-Qada 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 16 Rajab 1436H (corresponding to 5 May 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 June 2023 have been prepared:

- in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and;
- in compliance with the Companies' Law in the Kingdom of Saudi Arabia and Company's By-laws.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to January 19, 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to January 19, 2023). The management is in process of assessing the impact of the New Companies Law and will amend its By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Company shall present the amended By-Laws to the shareholders in their Annual General Assembly meeting for their ratification.

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 2022. The results for the six-months period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2023

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

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.

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 2022.

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 2022, except for the following new accounting policy.

3.1 Islamic financing receivables (IFR)

The Company initially recognizes IFRs when, and only when, the entity becomes party to the contractual provisions of the instrument. IFRs are measured initially at fair value including directly attributable transaction costs which is generally the transaction price and subsequently at their amortized cost. IFRs are offered under the following Shariah compliant mode:

Tawarruq

Gross amounts under the Tawarruq sale contracts include the total sale payment of the Tawarruq agreement (IFR). The difference between the IFR and the cost of product sold, is recorded as unearned Tawarruq profit and for presentation purposes, is deducted from the gross amounts due under the reconciliation of gross and net IFR..

3.2 *Standards, interpretations and amendments effective during the year*

New IFRS pronouncements, effective January 1, 2023 (refer note 19) did not have any effect on the condensed interim financial statements

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

For the three-month and six-month periods ended 30 June 2023

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 *Standards, interpretations and amendments not yet effective*

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 19).

4. CASH AND CASH EQUIVALENTS

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Cash in hand	67,509	62,448
Cash at banks	<u>11,494,830</u>	<u>8,035,916</u>
	<u>11,562,339</u>	<u>8,098,364</u>

5. NET INVESTMENT IN FINANCE LEASES

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Gross investment in finance leases	267,956,842	238,489,392
Less: unearned finance income and other related credits	<u>(65,533,818)</u>	<u>(56,141,380)</u>
Present value of minimum lease payments	202,423,024	182,348,012
Less: allowance for expected credit losses on finance leases	<u>(8,408,424)</u>	<u>(7,067,490)</u>
Net investment in finance leases	<u>194,014,600</u>	<u>175,280,522</u>

The Company's implicit rate of return on leases ranges between 9% and 17% per annum (2022: between 9% and 17% 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.

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 six-month periods ended 30 June 2023

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

5. NET INVESTMENT IN FINANCE LEASES (continued)

Following are the scheduled maturities of the gross investment in finance leases:

Twelve months period ending 30 June: (Unaudited)

2023-2024	80,224,429
2024-2025	63,408,569
2025-2026	50,823,024
2026-2027	46,186,233
2027-2028	26,819,311
2028-2029	495,276
	267,956,842

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
At the beginning of the period / year	7,067,490	5,410,311
Charge for the period / year	2,361,804	4,800,000
Written off during the period / year	(1,020,870)	(3,142,821)
At the end of the period / year	8,408,424	7,067,490

5.2 By category, allowance for expected credit losses on finance leases is as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Performing	2,177,659	1,679,335
Under-performing	702,243	1,186,480
Non-performing	5,528,522	4,201,675
	8,408,424	7,067,490

6. ISLAMIC FINANCING RECEIVABLES

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Gross receivables - Tawarruq financing	305,535	--
Less: Unearned finance income	(118,322)	--
Present value of Islamic financing receivables	187,213	--
Less: allowance for expected credit losses	(38,196)	--
	149,017	--

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 six-month periods ended 30 June 2023

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

6. ISLAMIC FINANCING RECEIVABLES (continued)

Following are the scheduled maturities of the gross Islamic financing receivables:

Twelve months period ending 30 June:

2023-2024	129,307
2024-2025	46,994
2025-2026	46,994
2026-2027	46,994
2027-2028	35,246
	<u>305,535</u>

6.1 The movement in allowance for expected credit losses on Islamic financing receivables is as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
At the beginning of the period	--	--
Charge for the period	<u>38,196</u>	--
At the end of the period	<u>38,196</u>	--

6.2 By category, allowance for expected credit losses on Islamic financing receivables is as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Performing	1,698	--
Under-performing	36,498	--
Non-performing	--	--
	<u>38,196</u>	--

7. PREPAYMENTS AND OTHER RECEIVABLES

	<u>Note</u>	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Restricted deposits	7.1	35,759,890	35,554,562
Prepaid insurance		1,490,468	4,884,089
Receivable from employees		1,063,917	1,247,997
Other prepayments and receivables		<u>1,306,192</u>	374,806
		<u>39,620,467</u>	<u>42,061,454</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 six-month periods ended 30 June 2023

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

7. PREPAYMENTS AND OTHER RECEIVABLES (continued)

7.1 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 18.7 million (31 December 2022: Saudi Riyals 18.5 million).

8. SHARE CAPITAL

The share capital of the Company as of 30 June 2023 and 31 December 2022 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>	
		<u>30 June 2023</u>	<u>31 December 2022</u>
Modern Ajwad for Commercial Investment Company Limited	Saudi Arabia	60%	60%
Tawad Holding Company	Saudi Arabia	40%	40%
		<u>100%</u>	<u>100%</u>

9. STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net profit each year to a statutory reserve until such reserve equals 30% of its share capital. This reserve is not currently available for distribution to the shareholders.

10. TRADE AND OTHER PAYABLES

	<u>Notes</u>	<u>30 June 2023</u> (Unaudited)	<u>31 December 2022</u> (Audited)
Third parties	10.1	22,270,656	22,470,902
Related party	13	92,963,811	73,705,814
		<u>115,234,467</u>	<u>96,176,716</u>

10.1 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.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2023

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

11. ACCRUED AND OTHER LIABILITIES

	30 June <u>2023</u> (Unaudited)	31 December <u>2022</u> (Audited)
Employee related accruals	6,296,940	5,970,836
Accrued board of directors' fee	330,000	660,000
Advances from customers	--	52,834
Other accruals	2,642,633	1,944,115
	<u>9,269,573</u>	<u>8,627,785</u>

12. ZAKAT

12.1 Movement in Zakat refundable

The movement in the Zakat refundable is as follows:

	30 June <u>2023</u> (Unaudited)	31 December <u>2022</u> (Audited)
At the beginning of the period / year	(6,090,670)	(6,726,689)
Charge for the period / year	527,404	636,019
At the end of the period / year	<u>5,563,266</u>	<u>(6,090,670)</u>

12.2 Status of Zakat assessments

During the year ended December 31, 2019, the Company has received a settlement notice from the ZATCA relating to the treatment of non-current portion of net investment in its finance lease for the purposes of determination of Zakat base. The notice prescribes the method to calculate the Company's Zakat liability for the year ended December 31, 2018 and stated that applying the same principles, the Company was entitled to a credit of Saudi Riyals 9.7 million for the year when the Company was provided a license from SAMA to be involved in the finance lease activities till 2017, whereas there would be a charge of Saudi Riyals 0.5 million for the year ended December 31, 2018. Management has agreed to the settlement notice and has accordingly recorded a net Zakat refundable of Saudi Riyals 9.2 million during the year ended December 31, 2018. This amount has been subsequently adjusted for Zakat charge for the years 2019 and 2022. ZATCA has not issued any other queries or assessment to date to the Company.

The Company has filed its Zakat declarations with ZATCA up to 2022.

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 six-month periods ended 30 June 2023

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

13. 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.

a) Related parties transactions

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

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>For the three-month periods ended 30 June</u>		<u>For the six-month periods ended 30 June</u>	
			<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
			(Unaudited)		(Unaudited)	
Universal Motors Agencies	Affiliate	Purchase of motor vehicles	37,236,122	69,226,093	62,037,084	103,241,662
		Incentive income	876,169	719,926	1,003,998	1,719,489

b) Trade and other payables

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>As at 30 June 2023</u>	<u>As at 31 December 2022</u>
			<u>(Unaudited)</u>	<u>(Audited)</u>
Universal Motors Agencies	Affiliate	Purchase of motor vehicles	92,963,811	73,705,814

c) Compensation of key management personnel

<u>Name</u>	<u>Nature of transactions</u>	<u>For the three-month periods ended 30 June</u>		<u>For the six-month periods ended 30 June</u>	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
		(Unaudited)		(Unaudited)	
Key management personnel	Salaries and bonuses paid / accrued to key management personnel	165,075	258,231	330,150	583,132
Directors	Directors fee	165,000	165,000	330,000	330,000
Key management personnel	End of service indemnities accrued during the period	6,859	10,745	13,643	24,153

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

For the three-month and six-month periods ended 30 June 2023

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

14. OTHER INCOME

	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)
Recovery against previously written-off investment in finance lease	3,879,027	3,572,336
Incentive from a related party (note 13)	1,003,998	1,719,489
Others	429,997	355,548
	<u>5,313,022</u>	<u>5,647,373</u>

15. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>Three-month periods ended</u>		<u>Six-month periods ended</u>	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Salaries and allowances	2,749,164	3,134,857	5,337,799	6,160,452
Professional charges	601,001	620,570	1,253,293	1,199,995
Rent	223,510	207,916	447,021	415,833
Repair and maintenance	78,498	92,738	166,119	182,295
Depreciation	53,745	34,804	107,145	62,609
Others	377,934	396,239	855,524	812,115
	<u>4,083,852</u>	<u>4,487,124</u>	<u>8,166,901</u>	<u>8,833,299</u>

16. OTHER OPERATING COST

These costs principally represent insurance and losses related to early settlement of finance lease contracts.

17. 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 2022. There have been no changes in the risk management policies since the year end.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2023

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

18. 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 June 2023 (Unaudited)	31 December 2022 (Audited)
Finance lease receivables sold under securitization agreements	<u>67,255,433</u>	<u>99,826,600</u>

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

	<u>30 June 2023 (Unaudited)</u>	
	<u>Less than one year</u>	<u>One to five year</u>
Securitization agreements	<u>37,575,892</u>	<u>29,679,541</u>
	<u>31 December 2022 (Audited)</u>	
	<u>Less than one year</u>	<u>One to five year</u>
Securitization agreements	<u>52,421,010</u>	<u>47,405,590</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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2023

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

19. PRONOUNCEMENTS ISSUED AND NOT YET EFFECTIVE

The following amendments to existing standards and framework have been applied by the Company in preparation of these financial statements. The adoption of the below did not result in changes to the previously reported net profit or equity of the Company.

<i><u>Standard / Interpretation</u></i>	<i><u>Description</u></i>	<i><u>Effective date</u></i>
IFRS 17	Insurance contracts (Amendments to IFRS 17)	January 1, 2023
IAS 1	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	January 1, 2023
IAS 8	Definition of Accounting Estimate (Amendments to IAS 8)	January 1, 2023
IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12	January 1, 2023
IFRS 17	Income Taxes	January 1, 2023
IFRS 17	Initial Application of IFRS 17 and IFRS 9	January 1, 2023
	Comparative Information (Amendments to IFRS 17)	January 1, 2023

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

<i><u>Standard / Interpretation</u></i>	<i><u>Description</u></i>	<i><u>Effective date</u></i>
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	January 1, 2024
IFRS 16	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	January 1, 2024
IAS 1	Non-current Liabilities with Covenants (Amendments to IAS 1)	January 1, 2024
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

20. DATE OF AUTHORIZATION OF ISSUE

The accompanying condensed interim financial statements have been authorised for issue by the Board of Directors on 27 July 2023, corresponding to 9 Muharram 1445H.