

**SAUDI FRANSI FOR FINANCE LEASING**  
(Closed Joint Stock Company)  
**Interim Condensed Financial Statements**  
**For the period ended 31 March 2017**  
together with the  
**Report on Review of Interim Financial Information**



**KPMG Al Fozan & Partners**  
**Certified Public Accountants**  
KPMG Tower  
Salahudeen Al Ayoubi Road  
P O Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia

Telephone +966 11 8748500  
Fax +966 11 8748600  
Internet www.kpmg.com.sa

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## INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To: **The Shareholders**  
**Saudi Fransi for Finance Leasing**  
**(Closed Joint Stock Company)**  
**Riyadh, Saudi Arabia**

### *Introduction*

We have reviewed the accompanying interim condensed statement of financial position of **Saudi Fransi for Finance Leasing – Closed Joint Stock Company** (the “Company”) as at 31 March 2017, the related interim condensed statement of profit or loss and other comprehensive income, interim condensed statement of cash flows and interim condensed statement of changes in shareholders’ equity for three-months period then ended and notes to the interim condensed financial statements. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with IAS 34, ‘Interim Financial Reporting’ and Saudi Arabian Monetary Authority’s (‘SAMA’) guidance for the accounting of zakat and tax. Our responsibility is to express a conclusion on these interim condensed 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” 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 statements as at 31 March 2017 are not prepared, in all material respects, in accordance with IAS 34, ‘Interim Financial Reporting’ and SAMA guidance for the accounting of zakat and tax.

**For KPMG Al Fozan & Partners**  
**Certified Public Accountants**

Abdullah Hamad Al Fozan  
License No. 348

Riyadh on: 19 Sha’aban 1438H  
Corresponding to: 15 May 2017



**SAUDI FRANSI FOR FINANCE LEASING**  
(Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2017  
(Saudi Arabian Riyals)

	<u>Note</u>	31 March 2017 <i>(Unaudited)</i>	31 December 2016 <i>(Audited)</i>
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Property and equipment	6	508,419	553,159
Intangible assets		249,664	370,570
Net investment in finance leases	4	<u>1,708,427,501</u>	<u>1,583,802,921</u>
		<u>1,709,185,584</u>	<u>1,584,726,650</u>
<b>Current assets</b>			
Current maturity of net investment in finance leases	4	627,630,110	554,940,303
Due from a related party	8	123,904	123,904
Advances, prepayments and other receivables		71,438,322	31,072,482
Cash and bank		<u>19,857,384</u>	<u>26,527,116</u>
		<u>719,049,720</u>	<u>612,663,805</u>
<b>Total assets</b>		<u><b>2,428,235,304</b></u>	<u><b>2,197,390,455</b></u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Shareholders' equity</b>			
Share capital	9	500,000,000	500,000,000
Statutory reserve	10	8,638,528	7,160,730
Cash flow hedge reserve	5	(5,795,869)	(220,140)
Accumulated profits		<u>61,969,827</u>	<u>50,590,473</u>
<b>Total shareholders' equity</b>		<u><b>564,812,486</b></u>	<u><b>557,531,063</b></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term loan from a related party	7	1,292,500,000	1,240,000,000
Employees' end of service benefits		<u>581,396</u>	<u>509,907</u>
		<u><b>1,293,081,396</b></u>	<u><b>1,240,509,907</b></u>
<b>Current liabilities</b>			
Current maturity of long term loan	7	415,000,000	310,000,000
Accounts payable		28,554,574	25,447,072
Advance from customers		30,640,149	26,041,774
Due to related parties	8	68,096,367	17,862,841
Unearned income from dealer		6,825,695	5,242,316
Derivative Liability	5	5,795,869	220,140
Accrued expenses and other liabilities		6,689,136	7,716,543
Provision for zakat and income tax	11	<u>8,739,632</u>	<u>6,818,799</u>
		<u>570,341,422</u>	<u>399,349,485</u>
<b>Total liabilities</b>		<u><b>1,863,422,818</b></u>	<u><b>1,639,859,392</b></u>
<b>Total liabilities and shareholders' equity</b>		<u><b>2,428,235,304</b></u>	<u><b>2,197,390,455</b></u>

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

**SAUDI FRANSI FOR FINANCE LEASING**  
(Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF INCOME**  
For the quarter ended 31 March 2017  
*(Saudi Arabian Riyals)*

	<b>For the quarter ended 31 March 2017</b>	<b>For the quarter ended 31 March 2016</b>
<i>Note</i>	<u>2017</u>	<u>2016</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Lease finance income	<b>32,954,108</b>	19,759,059
Fee income, net	<b>8,808,440</b>	7,787,513
	<u><b>41,762,548</b></u>	<u>27,546,572</u>
 <b>Operating expenses</b>		
Salaries and employee related expenses	<b>(7,218,024)</b>	(5,934,119)
Rent	<b>(103,703)</b>	(103,703)
Depreciation	<b>(44,741)</b>	(66,673)
Amortization	<b>(120,907)</b>	(122,250)
General and administration expenses	<b>(817,734)</b>	(884,394)
Financial charges	<b>(11,947,496)</b>	(6,858,966)
Provision for lease losses	<i>4.1</i> <b>(7,533,912)</b>	(4,521,177)
	<u><b>(27,786,517)</b></u>	<u>(18,491,282)</u>
 <b>Operating income</b>	 <b>13,976,031</b>	 9,055,290
Other income	<b>801,954</b>	303,820
<b>Net income for the period</b>	<u><b>14,777,985</b></u>	<u>9,359,110</u>
 <b>Earnings per share - basic and diluted</b>	 <b>0.29</b>	 0.18

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

**SAUDI FRANSI FOR FINANCE LEASING**  
(Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
For the quarter ended 31 March 2017  
*(Saudi Arabian Riyals)*

	<b>For the quarter ended 31 March 2017 <i>(Unaudited)</i></b>	<b>For the quarter ended 31 March 2016 <i>(Unaudited)</i></b>
<b>Net income for the period</b>	<b>14,777,985</b>	9,359,110
<b>Other comprehensive income</b>		
<b>Items that are or may be reclassified to profit or loss in subsequent periods</b>		
Cash flow hedges – effective portion of changes in fair value	<b>5,575,729</b>	(983,206)
<b>Total comprehensive income for the period</b>	<b><u>20,353,714</u></b>	<b><u>8,375,904</u></b>

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

**SAUDI FRANSI FOR FINANCE LEASING**  
(Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
For the quarter ended 31 March 2017  
(Saudi Arabian Riyals)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Cash flow hedge reserve</u>	<u>Accumulated profits</u>	<u>Total</u>
<b>Balance as at 1 January 2017 (audited)</b>	<b>500,000,000</b>	<b>7,160,730</b>	<b>(220,140)</b>	<b>50,590,473</b>	<b>557,531,063</b>
Net income for the period	--	--	--	<b>14,777,985</b>	<b>14,777,985</b>
Transfer to statutory reserve	--	<b>1,477,798</b>	--	<b>(1,477,798)</b>	--
Cash flow hedge reserve	--	--	<b>(5,575,729)</b>	--	<b>(5,575,729)</b>
Zakat and income tax for the period	--	--	--	<b>(1,920,833)</b>	<b>(1,920,833)</b>
<b>Balance as at 31 March 2017 (unaudited)</b>	<b><u>500,000,000</u></b>	<b><u>8,638,528</u></b>	<b><u>(5,795,869)</u></b>	<b><u>61,969,827</u></b>	<b><u>564,812,486</u></b>

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Cash flow hedge reserve</u>	<u>Accumulated profits</u>	<u>Total</u>
Balance as at 1 January 2016 (un-audited)	100,000,000	2,217,565	6,000,413	18,202,102	126,420,080
Net income for the period	--	--	--	9,359,110	9,359,110
Transfer to statutory reserve	--	--	--	--	--
Cash flow hedge reserve	--	--	4,190,126	--	4,190,126
Zakat and income tax for the period	--	--	--	<b>(1,172,726)</b>	<b>(1,172,726)</b>
Balance as at 31 March 2016 (unaudited)	<b><u>100,000,000</u></b>	<b><u>2,217,565</u></b>	<b><u>10,190,539</u></b>	<b><u>26,388,486</u></b>	<b><u>138,796,590</u></b>

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

**SAUDI FRANSI FOR FINANCE LEASING**  
(Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
For the quarter ended 31 March 2017  
(Saudi Arabian Riyals)

	<u>Notes</u>	For the quarter ended 31 March 2017 (Unaudited)	For the quarter ended 31 March 2016 (Unaudited)
<b>Cash flows from operating activities</b>			
Net income for the period		14,777,985	9,359,110
<i>Adjustments to reconcile net income to net cash used in operating activities</i>			
Depreciation		44,741	66,673
Amortization		120,907	122,250
Provision for lease losses		7,533,912	4,521,177
Employees' end of service benefits		71,489	13,696
<i>Changes in operating assets and liabilities</i>			
Net investment in finance leases		(204,848,299)	(218,330,642)
Advances, prepayments and other receivables		(40,365,840)	(4,773,945)
Accounts payable		3,107,502	(4,515,227)
Related parties, net		47,502,676	3,446,645
Advance from customers		4,598,375	(832,817)
Unearned income from dealer		1,583,379	844,320
Accrued expenses and other liabilities		1,703,441	2,697,876
Zakat and tax paid during the period		--	(2,160,397)
<b>Net cash used in operating activities</b>		<b>(164,169,732)</b>	<b>(209,541,281)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipments		--	(122,300)
<b>Net cash used in investing activities</b>		<b>--</b>	<b>(122,300)</b>
<b>Cash flows from financing activities</b>			
Long term loans		157,500,000	200,000,000
<b>Net cash inflow from financing activities</b>		<b>157,500,000</b>	<b>200,000,000</b>
Net decrease in cash and cash equivalents		(6,669,732)	(9,663,581)
Cash and cash equivalents at the beginning of the period		26,527,116	42,782,647
<b>Cash and cash equivalents at the end of the period</b>		<b>19,857,384</b>	<b>33,119,066</b>

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

**SAUDI FRANSI FOR FINANCE LEASING**  
(Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the quarter ended 31 March 2017  
(Saudi Arabian Riyals)

**1. THE COMPANY AND NATURE OF OPERATIONS**

Saudi Fransi for Finance Leasing (the “Company”) is a Closed Joint Stock Company established under the regulations for companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 13718532.

As per SAMA directive, the Company has obtained a license having no. 201511/ 38/ش) to practice finance activities. Further, pursuant to ministerial resolution in respect of the conversion of Limited Liability Company (LLC), the Company had changed its legal status from a LLC to a Closed Joint Stock Company (CJSC) on 1 November 2015. All assets and liabilities of the LLC were transferred to CJSC at book value of LLC as of 31 Oct 2015. On transfer, internally generated goodwill was not recognized by the Company. Following were book value of assets and liabilities:

	Amount in SAR	
	Book value of LLC	Value transferred to CJSC
Assets	1,039,576,923	1,039,576,923
Liabilities	918,439,988	918,439,988

The Company’s head office is located in Riyadh at the following address:

Saudi Fransi for Finance Leasing  
Prince Abdulaziz Ibn Musaid Ibn Jalawi Road  
P.O. Box 56006,  
Riyadh 11554  
Kingdom of Saudi Arabia

The objective of the Company is to provide lease financing for assets (Vehicles, Motorbike, Trucks, Heavy Machinery and Equipments) and involve in purchasing, registering and selling of these assets to retail and corporate customers.

**2. BASIS OF PREPARATION**

**a) Statement of compliance**

These interim condensed financial statements of the Company have been prepared in accordance with the International Accounting Standard (IAS) 34: 'Interim Financial Reporting' and Saudi Arabian Monetary Authority (SAMA) guidance on accounting for zakat and tax.

During 2017, SAMA issued a Circular no. 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and tax. The impact of these amendments is that the zakat and tax are to be accrued on a quarterly basis and recognized in interim condensed statement of changes in shareholders’ equity with a corresponding liability recognized in the interim condensed statement of financial position

Applying the above framework, the interim condensed financial statements of the Company as at and for the quarter ended 31 March 2017 have been prepared using the IAS 34 and SAMA guidance for the accounting of zakat and tax. The Company’s accounting policy for zakat and tax was consistent with the SAMA’s circular and subsequent adjustments through certain clarifications. Hence, there is no material impact on the interim condensed financial statements of the Company.



**SAUDI FRANSI FOR FINANCE LEASING**  
(Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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(Saudi Arabian Riyals)

**2. BASIS OF PREPARATION (CONTINUED)**

**a) *Statement of compliance (Continued)***

The disclosures made in these interim condensed financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. These interim condensed financial statements do not include all of the information required for a full set of financial statements.

**b) *Basis of measurement***

The interim condensed financial statements are prepared under the historical cost convention, except for Interest rate swaps, which are measured at fair value.

**c) *Functional and presentation currency***

These interim condensed financial statements are presented in Saudi Arabian Riyals (SAR), which is the functional and presentation currency of the Company.

**d) *Use of estimates and judgments***

The preparation of interim Condensed financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those 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 future periods affected.

**e) *New standards, amendments to standards and interpretations – not yet effective***

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Company has not early applied the following new or amended standards in preparing these financial statements:

1. Amendments to IAS 7, Statement of cash flows on disclosure initiative: Applicable for annual periods beginning on or after 1 January 2017

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.

2. Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for Unrealised losses:

Annual periods beginning on or after 1 January 2017

These amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Annual Improvements to IFRS Standards 2014–2016 Cycle has amendments to three Standards:

<u>Amended Standard</u>	<u>Effective date</u>
IFRS 12 Disclosure of Interests in Other Entities	1 January 2017
IFRS 1 First-time Adoption of International Financial Reporting Standards – removal of short term exemption for first time adopters	1 January 2018
IAS 28 Investments in Associates and Joint Ventures	1 January 2018

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(Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**2. BASIS OF PREPARATION (CONTINUED)**

The following new or amended standards namely amendments to IFRS 10 – “Consolidated Financial Statements”, IFRS 12 – “Disclosure of Interests in Other Entities”, IAS 28 – “Investments in Associates”, IFRS 11 – “Joint Arrangements”, IAS 27 – “Separate Financial Statements” are not expected to have a significant impact on the Company’s interim condensed financial statements.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies used in the preparation of these interim condensed financial statements are set out below:

**a) Cash and cash equivalents**

Cash and cash equivalents comprise of cash in hand and with banks.

**b) Net investment in finance leases**

Gross investment in finance leases include the total of future lease payments on finance leases (lease receivables), plus estimated residual amounts receivable. The difference between the lease receivables and the cost of the leased asset is recorded as unearned lease finance income and for presentation purposes, is deducted from the gross investment in finance leases.

**c) Provision for lease losses**

The Company reviews its non-performing lease receivables on a monthly basis to assess whether specific provisions for impairment should be recorded in the statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

In addition to specific provisions against individually significant lease receivables, the Company also makes a collective impairment provision against lease receivables which although not specifically identified as requiring a specific provision have a greater risk of default than when originally granted.

**d) Property & equipment**

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to statement of income using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	10 years
Furniture and fixtures	10 years
Equipment	7 years
Computer Hardware	4 years
Motor Vehicles	4 years

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the income statement when incurred.

**SAUDI FRANSI FOR FINANCE LEASING**  
(Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the quarter ended 31 March 2017

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e) *Intangible assets***

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. These are amortized using the straight line method reflecting the pattern in which the economic benefits of the asset are consumed by the Company.

**f) *Impairment of assets***

Assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**g) *Employees' end of service benefits***

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to Statement of Income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be resigned at the balance sheet date.

**h) *Zakat and income tax***

Zakat and income tax are liabilities of the shareholders and are computed in accordance with Saudi Arabia Tax and Zakat regulations, Zakat and Tax are accrued and charged to statement of changes in shareholders' equity.

**i) *Revenue recognition***

The Company follows the effective interest method in accounting for the recognition of lease finance income. Under this method, the unearned lease income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased assets is deferred and taken to income over the term of the lease, so as to produce a systematic return on the net investment in lease.

The Company also charges a non-refundable front-end processing fee and which is recognized as income, net of processing related expenses, when services are rendered.

Dealer discount is recognized in the statement of income over the lease term on straight line basis.

**j) *Long term loan***

Long term loan include special commission bearing borrowing which is recognized initially at fair value. Subsequent to the initial recognition, special commission bearing borrowings are stated at amortized cost with any difference between cost (including transaction cost) and redemption value being recognized in the statement of income over the period of the borrowing on an effective special commission rate basis.

**k) *Financial instruments***

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at the balance sheet date.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***l) Offsetting***

Financial assets and liabilities are offset and are reported net in the balance sheet when there is a legally enforceable right to set off the recognized amounts and when the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

***m) Provisions***

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

***n) Hedge Accounting***

The company designates certain derivatives (i.e Interest rate swaps) as hedging instruments in qualifying hedging relationships to manage exposures to interest rate. In order to manage particular risk, the Company applies hedge accounting for transactions that meet specific criteria.

For the purpose of cash flow hedge which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability, or to a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, the hedge should be expected to be highly effective i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item, and should be reliably measurable. At inception of the hedge, the risk management objective and strategy is documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Bank will assess the effectiveness of the hedging relationship. At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. Prospective testing is performed mainly through matching the critical terms of both hedge item and instrument. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the income statement in 'Net trading income'.

***Cash flow hedges***

In relation to cash flow hedges which meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in other comprehensive income. Ineffective portion of gain or loss on the hedging instrument is recognized in the statement of income.

Hedge accounting is discontinued when the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Company revokes the designation then hedge accounting is discontinued prospectively.

At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in equity is transferred to the Statement of Income for the period.

**SAUDI FRANSI FOR FINANCE LEASING**  
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**4. NET INVESTMENT IN FINANCE LEASES**

	<b>31 March 2017 (Unaudited)</b>		
	<b>Not later than one year</b>	<b>Later than one year and less than five years</b>	<b>Total</b>
Lease contract receivables	837,078,802	2,283,435,510	3,120,514,312
Unearned lease income	(195,166,929)	(537,138,128)	(732,305,057)
	641,911,873	1,746,297,382	2,388,209,255
Provision for lease losses	4.1 (14,281,763)	(37,869,881)	(52,151,644)
Net investment in finance lease	627,630,110	1,708,427,501	2,336,057,611

These leased assets carrying a profit rate ranging from 0.01% to 7% and lease rental are determined on the basis of implicit rate of profit based on the cash flow of the lease. The Company holds the title of vehicles as a collateral against the finance leases.

	<b>31 December 2016 (Audited)</b>		
	<b>Not later than one year</b>	<b>Later than one year and less than five years</b>	<b>Total</b>
Lease contract receivables	740,897,922	2,119,302,953	2,860,200,875
Unearned lease income	(174,239,462)	(502,600,459)	(676,839,921)
	566,658,460	1,616,702,494	2,183,360,954
Provision for lease losses	4.1 (11,718,157)	(32,899,573)	(44,617,730)
Net investment in finance lease	554,940,303	1,583,802,921	2,138,743,224

These leased assets carrying a profit rate ranging from 0.01% to 7% and lease rental are determined on the basis of implicit rate of profit based on the cash flow of the lease. The Company holds the title of vehicles as a collateral against the finance leases.

4.1 The movement in the provision for lease losses was as follows:

	<b>For the quarter ended 31 March 2017 (Unaudited)</b>	<b>For the year ended 31 December 2016 (Audited)</b>
Balance as on 1 <sup>st</sup> January	44,617,730	11,913,575
Provision for the quarter / period	7,533,914	32,704,155
	52,151,644	44,617,730

The provision for lease losses for the quarter includes SAR 24.75 million (for the quarter ended 31 March 2016: SAR 5.15 million) evaluated on a collective impairment basis.

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**5. DERIVATIVES ASSETS**

Derivative financial instruments Held for cash flow hedging	31 March 2017 (Unaudited)			
	Notional amount Total	Within 3 months	3-12 months	1-5 years
Commission rate swaps	1,842,500,000	77,500,000	337,500,000	1,427,500,000
	<u>1,842,500,000</u>	<u>77,500,000</u>	<u>337,500,000</u>	<u>1,427,500,000</u>

  

Derivative financial instruments Held for cash flow hedging	31 December 2016 (Audited)			
	Notional amount Total	Within 3 months	3-12 months	1-5 years
Commission rate swaps	1,220,000,000	77,500,000	232,500,000	910,000,000
	<u>1,220,000,000</u>	<u>77,500,000</u>	<u>232,000,000</u>	<u>910,000,000</u>

The Company entered into commission rate swaps with its parent, Banque Saudi Fransi (BSF). The net fair value of commission rate swaps is SAR negative 5,795,869 as at 31 March 2017 (31 December 2016: SAR negative 220,140). The net fair value of commission rate swaps is calculated using discounted cash flow model using a risk free discount rate adjusted for appropriate risk margin for counterparty risk including entity's own credit risk.

**6. PROPERTY AND EQUIPMENT**

The following is a statement of cost of additions and disposals from property and equipment for the quarter ended 31 March 2017:

	31 March 2017		31 December 2016	
	Additions (Unaudited)	Disposals (Unaudited)	Additions (Audited)	Disposals (Audited)
Motor Vehicles	--	--	60,000	--
Equipment	--	--	117,300	--
Office Equipment	--	--	34,212	--
Total	<u>--</u>	<u>--</u>	<u>211,512</u>	<u>--</u>

**7. LONG TERM LOANS**

The Company has a shariah compliant loan facility "Al Tawarroq" limit for SAR 2,500 million from its parent Banque Saudi Fransi ("the Bank"), a related party,

As at 31 March 2017, the Company has utilized SAR 1,707.5 million (31 December 2016: 1550 million) from the above facility which are as follows:

	31 March 2017 (Unaudited)	31 December 2016 (Audited)
Current portion	415,000,000	310,000,000
Non-current portion	1,292,500,000	1,240,000,000
	<u>1,707,500,000</u>	<u>1,550,000,000</u>

The long-term loans carry special commission rate equal to SIBOR plus bank margins or fixed rates payable on quarterly basis. The Directors of the Company have provided to the Bank promissory notes as a collateral against this facility.

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**8. RELATED PARTY TRANSACTIONS**

Related parties of the Company comprise of its shareholders and their affiliated companies. The Company transacts with its related parties in the ordinary course of business. The transactions with related parties are undertaken at mutually agreed terms, which are approved by the Company's board. Salary compensation of the CEO has been borne by Banque Saudi Fransi, a related party. Further, the Company office is located in the building owned by Banque Saudi Fransi, a related party, and rent has not been re-charged to the Company. The details of the transactions are as below:

**a) Transactions with related parties**

<u>Nature of transactions</u>	<u>Related parties</u>	<u>For the quarter ended 31 March 2017 (Unaudited)</u>	<u>For the quarter ended 31 March 2016 (Unaudited)</u>
Lease rental received on behalf of a related party	Sofinco Saudi Fransi	297,107	434,634
Expenses (IT maintenance)	Banque Saudi Fransi	37,500	37,500
Other income	Banque Saudi Fransi	135,000	135,000
Financial charges on long term loan	Banque Saudi Fransi	11,947,496	6,858,966
Insurance expense of leased assets	Allianz Saudi Fransi	63,559,033	16,273,568
Recharge for staff cost and general expenses	Banque Saudi Fransi	1,788,062	1,109,508

  

<u>Nature of balances</u>	<u>Related parties</u>	<u>As at 31 March 2017 (Unaudited)</u>	<u>As 31 December 2016 (Audited)</u>
Bank Balances	Banque Saudi Fransi	19,854,884	26,524,618
Long term loan	Banque Saudi Fransi	1,707,500,000	1,550,000,000
Term Deposit	Banque Saudi Fransi	--	350,000,000

The above transactions mainly resulted in following balance due to related parties at balance sheet date:

<b>b) Due to related parties (excluding term loans) :</b>	<b>31 March 2017 (Unaudited)</b>	<b>31 December 2016 (Audited)</b>
Banque Saudi Fransi (BSF)	15,981,287	25,192,006
Allianz Saudi Fransi	52,115,080	5,823,271
	<u>68,096,367</u>	<u>31,015,277</u>
<b>c) Due from a related party:</b>	<b>31 March 2017 (Unaudited)</b>	<b>31 December 2016 (Audited)</b>
Sofinco Saudi Fransi	123,904	123,904
	<u>123,904</u>	<u>123,904</u>

Certain expenses paid by BSF on behalf of the Company were not charged by BSF to the Company.

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**9. SHARE CAPITAL**

The share capital of the Company is SAR 500 million (31 December 2016: SAR 500 million) divided into 50 million (31 December 2016: 50 million) shares of SAR 10 (31 December 2016: SAR 10) each and 100% owned by Banque Saudi Fransi.

**10. STATUTORY RESERVE**

The Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia require the Company to allocate 10% of its net income before zakat each year to form a statutory reserve until such reserve equals one-half of its share capital. The statutory reserve is not available for distribution.

**11. ZAKAT AND INCOME TAX**

**a) Provision for Zakat and income tax**

The movement in the provision for zakat and income tax for the period ended 31 December 2016 is as follows:

**Zakat**

	<b>For the quarter ended 31 March 2017 (Unaudited)</b>	<b>As at 31 December 2016 (Audited)</b>
Balance transfer from LLC	(1) --	419,527
Balance on opening	1,436,376	--
Provided during the quarter / period	416,406	1,477,865
Paid during the period	--	(461,016)
Closing Balance	<u>1,852,782</u>	<u>1,436,376</u>

**Income tax**

	<b>For the quarter ended 31 March 2017 (Unaudited)</b>	<b>As at 31 December 2016 (Audited)</b>
Balance transfer from LLC	(1) --	1,747,878
Balance on opening	5,382,423	--
Provided during the quarter / period	1,504,427	5,339,106
Paid during the period	--	(1,704,561)
Closing Balance	<u>6,886,850</u>	<u>5,382,423</u>

**b) Status of Assessments**

The Company has submitted its zakat and income tax returns for the years ended 31 December 2012 to 2016 to the General Authority of Zakat & Tax (GAZT), however, no assessment has been raised in respect for these years.



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**12. BASIC AND DILUTED EARNINGS PER SHARE**

The basic and diluted earnings per share is calculated by dividing the profit for the period attributable to the shareholders by weighted average number of shares at the end of the period.

**13. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets (including lease receivables) and financial liabilities are measured at amortized cost except for derivative financial instruments which are measured at fair value. The carrying amounts of all financial assets and financial liabilities measured at amortized cost approximate their fair values except for net investments in finance leases. The fair values of net investments in finance leases and derivative financial instruments as at 31 March 2017 are as follows:

<u>Financial Statement Caption</u>	<u>Fair value hierarchy</u>	<u>31 March</u> <u>2017</u> <i>(Unaudited)</i>	<u>31 December</u> <u>2016</u> <i>(Audited)</i>
Derivative financial instruments	Level 2	<b>(5,795,869)</b>	(220,140)
Net investments in finance leases	Level 3	<b>2,192,980,564</b>	2,032,288,310

The fair value of net investment in finance lease is determined using discounted cash flow technique considering the market rates. The market rates are determined based on the risk profile of lease receivables and current interest rates. Fair value of long term loan are not significantly different from the carrying values included in the interim condensed financial statements since the current market commission rates for similar financial instruments are not significantly different from the contracted rates

**14. RISK MANAGEMENT**

Credit risk is the possibility of non-payment by counterparties and financial institutions through which the company transacts when provide lease financing for assets. The company is exposed to credit risk on its cash bank balance, net investment in finance leases however, these are maintained with reputed local banks in the Kingdom of Saudi Arabia. Further, the company may be exposed to credit risk due to recent directives on salary changes in government sector, the management is still assessing future impact of its portfolio.

**15. GEOGRAPHICAL CONCENTRATION**

The Company operations are restricted to Kingdom of Saudi Arabia only so the Company has only one geographical segment.

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**16. SEGMENT REPORTING**

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in its function as chief decision maker in order to allocate resources to the segments and to assess its performance.

A segment is a distinguishable component that is engaged in providing products or services (a business segment), which is subject to risks and rewards that are different from those of other segments.

	<u>Amount in SAR '000</u>		
	<u>Retail</u>	<u>Corporate</u>	<u>Total</u>
<b><u>31 March 2017 (Un-Audited)</u></b>	----- SAR '000 -----		
Total assets	2,356,353	71,882	2,428,235
Total liabilities	1,862,519	904	1,863,423
Total operating income	39,481	2,281	41,762
Total operating expenses	27,256	531	27,787
Net income for the period	13,027	1,751	14,778
Provision for lease losses	49,706	2,445	52,151

	<u>Amount in SAR '000</u>		
	<u>Retail</u>	<u>Corporate</u>	<u>Total</u>
<b><u>31 December 2016 (Audited)</u></b>	----- SAR '000 -----		
Total assets	2,126,673	70,717	2,197,390
Total liabilities	1,637,647	1,024	1,638,671
Total operating income	144,965	9,073	154,038
Total operating expenses	103,337	1,270	104,607
Net income for the period	41,628	7,803	49,431
Provision for lease losses	42,704	1,914	44,618

	<u>Retail</u>	<u>Corporate</u>	<u>Total</u>
<b><u>March 31, 2016 (Un-Audited)</u></b>	----- SAR '000 -----		
Total assets	1,462,453	68,941	1,531,394
Total liabilities	1,392,597	---	1,392,597
Total operating income	26,060	1,791	27,851
Total operating expenses	17,873	618	18,491
Net income for the period	8,187	1,173	9,360
Provision for lease losses	18,508	1,353	19,861

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**17. COMMITMENTS**

	<b>31 March</b> <b><u>2017</u></b> <i>(Unaudited)</i>	31 December <u>2016</u> <i>(Audited)</i>
Finance lease contracts not yet executed	<u>10,907,067</u>	<u>17,471,204</u>

**18. BOARD OF DIRECTOR' APPROVAL**

These interim condensed financial statements were approved by the Board of directors on 24 April 2017 corresponding to 28 Rajab 1438H.