

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**Interim condensed financial statements**  
**For the three-month period ended 31 March 2020**  
together with the  
**Independent auditor's report**



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# Independent auditor's review report on the interim condensed financial statements

To the shareholders of Saudi Fransi For Finance Leasing

## Introduction

We have reviewed the accompanying 31 March 2020 interim condensed financial statements of **Saudi Fransi For Finance Leasing** ("the Company"), which comprises:

- the interim condensed statement of financial position as at 31 March 2020;
- the interim condensed statement of income for the three-months period ended 31 March 2020;
- the interim condensed statement of comprehensive income for the three-months period ended 31 March 2020;
- the interim condensed statement of changes in shareholders' equity for the three-months period ended 31 March 2020;
- the interim condensed statement of cash flows for the three-months period ended 31 March 2020; and
- the notes to the interim condensed financial statements.

Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the 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 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* 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 the 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 31 March 2020 interim condensed financial statements of **Saudi Fransi For Finance Leasing** are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

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

**Ebrahim Oboud Baeshen**  
License No: 382



21 Ramadan 1441H  
Corresponding to: 14 May 2020

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2020  
(SR '000)

	<u>Note</u>	<b>31 March 2020 (Unaudited)</b>	31 December 2019 (Audited)
<b><u>ASSETS</u></b>			
Cash and cash equivalents		<b>16,083</b>	19,831
Net investment in finance leases	4	<b>2,460,868</b>	2,426,665
Advances, prepayments and other receivables	5	<b>122,266</b>	79,936
Investment at FVOCI		<b>893</b>	893
Positive fair value of derivatives	6	-	1,918
Property and equipment		<b>1,627</b>	580
Intangible assets		<b>449</b>	211
Deferred tax asset	8	<b>2,848</b>	2,909
<b>Total assets</b>		<b><u>2,605,034</u></b>	<b><u>2,532,943</u></b>
<b><u>SHAREHOLDERS' EQUITY AND LIABILITIES</u></b>			
<b>Liabilities</b>			
Long-term loan	9	<b>1,643,345</b>	1,627,087
Accounts payable	10	<b>81,895</b>	45,632
Advance from customers		<b>66,479</b>	65,101
Due to related parties	7.b	<b>10,352</b>	5,842
Negative fair value of derivatives	6	<b>40,927</b>	21,742
Accrued expenses and other liabilities		<b>9,026</b>	11,657
Employees' end of service benefits		<b>5,927</b>	5,619
Provision for zakat and income tax	11	<b>14,454</b>	11,403
<b>Total liabilities</b>		<b><u>1,872,405</u></b>	<b><u>1,794,083</u></b>
<b>Shareholders' equity</b>			
Share capital		<b>500,000</b>	500,000
Statutory reserve		<b>30,242</b>	30,242
Cash flow hedge reserve		<b>(40,927)</b>	(19,824)
Retained earnings		<b>243,314</b>	228,442
<b>Total shareholders' equity</b>		<b><u>732,629</u></b>	<b><u>738,860</u></b>
<b>Total shareholders' equity and liabilities</b>		<b><u>2,605,034</u></b>	<b><u>2,532,943</u></b>

The accompanying notes (1) through (21) form an integral part of these interim condensed financial statements.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF INCOME**  
For the three-months period ended 31 March 2020  
(SR '000)

	<i>Note</i>	<b>For the three-months period ended 31 March</b>	
		<b>2020</b>	<b>2019</b>
		<i>(Unaudited)</i>	<i>(Restated)</i> <i>(Unaudited)</i>
Lease finance income	12	29,805	34,407
Fees and commission income	13	50,299	44,748
<b>Total revenues</b>		<b>80,104</b>	<b>79,155</b>
Fees and commission expenses	13	(38,736)	(33,613)
Salaries and employee related expenses		(7,330)	(7,819)
Rent		(99)	(103)
Depreciation		(59)	(32)
Amortization		(53)	(39)
General and administration expenses		(1,331)	(1,095)
Financial charges		(13,173)	(14,525)
(Charge) / reversal for expected credit losses, net	4	(2,546)	11,321
<b>Operating expenses</b>		<b>(63,327)</b>	<b>(45,905)</b>
<b>Net operating income</b>		<b>16,777</b>	<b>33,250</b>
Other income		1,207	1,372
<b>Net income for the period before zakat and income tax</b>		<b>17,984</b>	<b>34,622</b>
Zakat and income tax	11	(3,112)	(4,775)
<b>Net income for the period after zakat and income tax</b>		<b>14,872</b>	<b>29,847</b>

The accompanying notes (1) through (21) form an integral part of these interim condensed financial statements.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
For the three-months period ended 31 March 2020  
(SR '000)

	<b>For the three-months period ended 31 March</b>	
	<u><b>2020</b></u>	<u><b>2019</b></u>
<u><i>Note</i></u>	<i>(Unaudited)</i>	<u><i>(Restated)</i></u> <i>(Unaudited)</i>
<b>Net income for the period after zakat and income tax</b>	<b>14,872</b>	29,847
<b><u>Other comprehensive income/(loss):</u></b>		
<i>Items that may be reclassified to statement of income in subsequent years:</i>		
Cash flow hedges – net change in fair value	6 <b>(21,103)</b>	(8,773)
<b>Total comprehensive income for the period</b>	<b>(6,231)</b>	21,074

The accompanying notes (1) through (21) form an integral part of these interim condensed financial statements.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
For the three-months period ended 31 March 2020  
(SR '000)

For the period ended 31 March 2020	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Cash flow hedge reserve</u>	<u>Retained earnings</u>	<u>Total</u>
<b>Balance as at 1 January 2020</b>	<b>500,000</b>	<b>30,242</b>	<b>(19,824)</b>	<b>228,442</b>	<b>738,860</b>
Net income for the period	--	--	--	<b>14,872</b>	<b>14,872</b>
Other comprehensive income	--	--	<b>(21,103)</b>	--	<b>(21,103)</b>
<b>Balance as at 31 March 2020</b>	<b>500,000</b>	<b>30,242</b>	<b>(40,927)</b>	<b>243,314</b>	<b>732,629</b>

  

For the period ended 31 March 2019 ( <i>Restated</i> )	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Cash flow hedge reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 1 January 2019	500,000	22,244	(273)	156,128	678,099
Net income for the period	--	--	--	29,847	29,847
Other comprehensive income	--	--	(8,772)	--	(8,772)
<b>Balance as at 31 March 2019</b>	<b>500,000</b>	<b>22,244</b>	<b>(9,045)</b>	<b>185,975</b>	<b>699,174</b>

The accompanying notes (1) through (21) form an integral part of these interim condensed financial statements.

**SAUDI FRANSI FOR FINANCE LEASING**  
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**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
For the three-months period ended 31 March 2020  
(SR '000)

	<u>Note</u>	<u>31 March 2020</u>	<u>31 March 2019</u>
<b>Cash flows from operating activities</b>			
Net income for the period before zakat and income tax		17,984	34,622
<i>Adjustments to reconcile net income to net cash generated from / (used in) operating activities:</i>			
Depreciation		59	32
Amortization		53	39
Charge / reversal for expected credit losses, net	4	2,546	(11,321)
Employees' end of service benefits		365	232
Modification loss on investment in finance lease		5,451	--
Financing charges		13,173	14,525
<b>Operating income before changes in operating assets and liabilities</b>		<b>39,631</b>	<b>38,129</b>
<i>Net (increase) / decrease in operating assets</i>			
Net investment in finance leases		(42,177)	(12,110)
Advances, prepayments and other receivables		(42,331)	(72,010)
Due from a related party		--	26
		<b>(44,877)</b>	<b>(45,965)</b>
<i>Net increase / (decrease) in operating liabilities</i>			
Accounts payable		36,263	10,972
Due to related parties		4,510	39,769
Advance from customers		1,378	8,508
Accrued expenses and other liabilities		(3,473)	(2,798)
		<b>(6,199)</b>	<b>10,486</b>
Zakat and income tax paid	11	--	(1,289)
Employees' end of service benefits, net		(57)	(17)
<b>Net cash (used in) / generated from operating activities</b>		<b>(6,256)</b>	<b>9,180</b>
<b>Cash flows from investing activities</b>			
Purchase of intangibles		(291)	--
Purchase of property and equipment		--	(22)
<b>Net cash used in investing activities</b>		<b>(291)</b>	<b>(22)</b>
<b>Cash flows from financing activities</b>			
Draw down of long-term loan		120,000	110,000
Payments of long-term loan		(104,375)	(145,000)
Financial charges paid		(12,537)	(15,367)
Cash payment for principle portion of lease liability		(289)	--
<b>Net cash generated from / (used in) financing activities</b>		<b>2,799</b>	<b>(50,367)</b>
Net decrease in cash and cash equivalents		(3,748)	(41,209)
Cash and cash equivalents at the beginning of the period		19,831	126,413
<b>Cash and cash equivalents at the end of the period</b>		<b>16,083</b>	<b>85,204</b>
<b>Non-cash supplemental information:</b>			
<b>Right-of-use-assets</b>		<b>1,083</b>	<b>--</b>
<b>Lease liabilities</b>		<b>820</b>	<b>--</b>

The accompanying notes (1) through (21) form an integral part of these interim condensed financial statements.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2020  
(SR '000)

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

Saudi Fransi for Finance Leasing (“the Company”) is a Closed Joint Stock Company (“CJSC”) established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010320273 dated 25 Dhul Hijjah 1432H (corresponding to 21 November 2011).

As per the Saudi Arabian Monetary Authority (“SAMA”) directive, the Company obtained a license no. 201511/ 38/أش to practice finance activities.

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.

**2. BASIS OF PREPARATION**

*a) Statement of compliance*

The interim condensed financial statements of the Company as at and for the period ended 31 March 2020 has 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 issued by the Saudi Organisation for Certified Public Accountants (“SOCPA”).

The interim condensed financial statements of the Company as at and for the three-month period ended 31 March 2019, were prepared in compliance with IAS 34, 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 Regulations for companies in the Kingdom of Saudi Arabia.

On 18 July 2019, SAMA instructed the financing companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of 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 the Saudi Organisation for Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors and the effects of this change are disclosed in note 2 (d).

*b) Basis of measurement*

These interim condensed financial statements have been prepared under the historical cost convention except for commission rate swaps and financial assets held at fair value through other comprehensive income – equity instrument, which are measured at fair value. Further, employees’ end of service benefits are measured at present value of future obligations using the Projected Unit Credit Method.

The Company does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.



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

*c) Functional and presentation currency*

Items included in these interim condensed financial statements are measured using the currency of the primary economic environment in which the Company operates. These interim condensed financial statements are presented in Saudi Arabian Riyals (“SAR”) which is the Company’s functional and presentation currency. All financial information presented in SAR has been rounded to the nearest SR in thousand.

*d) Change in the accounting zakat and income tax:*

As mentioned in note 2 (a), the basis of preparation has been changed as a result of the issuance of latest instructions from SAMA dated 18 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 18 July 2019, the zakat and income tax shall be recognized in the statement of income. The Company has accounted for this change in the accounting for zakat and income tax retrospectively and the effects of the above change are disclosed in this note. The change has resulted in reduction of reported income of the Company for the period ended 31 March 2019 by SR 4.775 million. The change has had no impact on the statement of cash flows for the period ended 31 March 2019.

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax (“GAZT”). Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

*Effect of change in accounting of zakat and income tax:*

The change in the accounting treatment for zakat and income tax as explained above has the following impact on the line items of the statements of income, statement of financial position and changes in shareholders' equity:

For the period ended 31 March 2019:

<b>Financial statement impacted</b>	<b>Account</b>	<b>Before restatement</b>	<b>Effect of restatement</b>	<b>As restated</b>
Statement of changes in Equity	Provision for zakat and income tax (retained earnings)	4,775	(4,775)	--
Statement of income	Zakat and income tax expenses	--	4,775	(4,775)

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2019.

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**4. NET INVESTMENT IN FINANCE LEASES**

	<b>31 March 2020 (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	1,192,328	2,026,034	3,218,362
Unearned lease income	(241,370)	(408,554)	(649,924)
	950,958	1,617,480	2,568,438
Provision for expected credit losses	4.1 (39,906)	(67,664)	(107,570)
<b>Net investment in finance leases</b>	<b>911,052</b>	<b>1,549,816</b>	<b>2,460,868</b>

These leased assets carry profit rates ranging from 3% to 7% per annum (31 December 2019: 3% to 7%) and lease rentals are determined on the basis of implicit rate of profit based on the cash flows of the lease. The Company holds the title of the leased assets as a collateral against the finance leases.

	<b>31 December 2019 (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	1,130,795	2,052,035	3,182,830
Unearned lease income	(231,380)	(419,749)	(651,129)
	899,415	1,632,286	2,531,701
Provision for expected credit losses	4.1 (37,314)	(67,722)	(105,036)
<b>Net investment in finance leases</b>	<b>862,101</b>	<b>1,564,564</b>	<b>2,426,665</b>

4.1 The movement in the allowance for expected credit losses is as follows:

	<b>For the period ended 31 March 2020 (Unaudited)</b>	<b>For the year ended 31 December 2019 Audited</b>
<b>Balance as at 1 January</b>	<b>105,036</b>	101,006
Charge for the period / year (Note 4.2)	2,546	4,762
Write off	(12)	(732)
	<b>107,570</b>	105,036

4.2 This includes management overlays of SR 4.78 million as detailed in note 18 of these interim condensed financial statements.

**SAUDI FRANSI FOR FINANCE LEASING**  
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**5. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**

	<b>31 March 2020 (Unaudited)</b>	31 December 2019 (Audited)
Prepaid insurance	101,985	63,645
VAT receivable, net	12,125	5,526
Dealer receivable	4,632	5,445
Advance VAT paid to dealers	1,242	3,564
Other receivables	2,282	1,756
	<b>122,266</b>	<b>79,936</b>

**6. DERIVATIVE**

31 March 2020 (Unaudited)				
Derivative financial instruments	-----Notional amount-----			
<u>Held for cash flow hedging</u>	Within 3 months	3-12 months	1-5 year	Total
Commission rate swaps	96,875	290,625	1,078,125	1,465,625
31 December 2019 (Audited)				
Derivative financial instruments	-----Notional amount-----			
<u>Held for cash flow hedging</u>	Within 3 months	3-12 months	1-5 year	Total
Commission rate swaps	104,375	290,625	1,175,000	1,570,000

The Company entered into commission rate swaps with its parent, BSF. The positive fair value of commission rate swaps as on 31 March 2020 is SAR Nil (31 December 2019: SAR 1.92 million) and negative fair value of commission rate swaps is SAR 40.927 million (31 December 2019: SAR 21.742 million). The 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.

**7. RELATED PARTY TRANSACTIONS**

The related parties of the Company comprise of BSF and its affiliated entities and certain key management personnel. The Company transacts with its related parties in the ordinary course of business. The transactions with related parties are undertaken in light of applicable rules and regulations.

The Company in its ordinary course of business transacts with the following related parties. The terms of those billings and charges are on an agreed basis with these related parties:

<u>Name</u>	<u>Relationship</u>
Banque Saudi Fransi (BSF)	Parent
Sofinco Saudi Fransi (SSF)	Affiliate
Allianz Saudi Fransi (ASF)	Affiliate

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**7. RELATED PARTY TRANSACTIONS (CONTINUED)**

In addition to the related party transactions and balances disclosed elsewhere in these interim condensed financial statements, significant transactions and balances arising from transactions with related parties are as follows:

**a) Transactions with related parties**

<u>Nature of transactions</u>	<u>Related parties</u>	<b>For the three-months period ended</b>	
		<b>31 March 2020</b> <i>(Unaudited)</i>	<b>31 March 2019</b> <i>(Unaudited)</i>
Lease rental collected	Sofinco Saudi Fransi (An affiliate)	<b>109</b>	221
IT maintenance and network related expenses	BSF	<b>300</b>	300
Financial charges on long-term loan and commission rate swaps including bank charges	BSF	<b>13,171</b>	14,525
Commission on short term deposit	BSF	<b>--</b>	121
Salaries and employee related expenses	BSF	<b>1,196</b>	1,185
Finance Lease disbursed	BSF and certain member of the BOD	<b>--</b>	300
Insurance expense of leased assets	Allianz Saudi Fransi	<b>20,989</b>	30,504
Draw down of long-term loan	BSF	<b>120,000</b>	110,000
Payments of long-term loan	BSF	<b>104,375</b>	145,000

Certain expenses paid by BSF on behalf of the Company were not charged by BSF to the Company; these expenses mainly included provision of rent free premises, telephone expenses and electricity expenses.

The above transactions mainly resulted in the following balances:

<b>b) Due to related parties (excluding term loan):</b>	<b>31 March 2020</b> <i>(Unaudited)</i>	<b>31 December 2019</b> <i>(Audited)</i>
BSF	<b>7,124</b>	4,303
Allianz Saudi Fransi	<b>3,228</b>	1,539
	<b>10,352</b>	5,842

c) The details of the other balances with related parties are as below:

<u>Nature of balances</u>	<u>Related party</u>	<b>31 March 2020</b> <i>(Unaudited)</i>	<b>31 December 2019</b> <i>(Audited)</i>
		Cash and Cash equivalents	Banque Saudi Fransi
Long-term loan	Banque Saudi Fransi	<b>1,643,345</b>	1,627,087

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**7. RELATED PARTY TRANSACTIONS (CONTINUED)**

As at 31 March 2020, the Company had 8 lease contracts (31 December 2019: 11) with Banque Saudi Fransi with an aggregate outstanding principal amounting to SAR 0.529 million (31 December 2019: SAR 0.84 million).

- d) The company considers chief executive officer and chief financial officer as key management personnel. The compensation of the key management personnel are listed below:

	<b><u>For the three-months period</u></b>	
	<b><u>ended 31 March</u></b>	
	<b><u>31 March</u></b>	<b><u>31 March</u></b>
	<b><u>2020</u></b>	<b><u>2019</u></b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Salaries	<b>340,668</b>	367,293
End of service benefits	<b>13,221</b>	23,242
Other allowances	<b>6,000</b>	6,000
	<b><u>359,889</u></b>	<u>396,535</u>

**8. DEFERRED TAX ASSET**

The company has booked deferred tax asset amounting to SR 2.85 million as at 31 March 2020 (31 December 2019: SAR 2.91 million) pertaining to deductible temporary differences. These differences arisen from impairment allowance for expected credit losses, property and equipment depreciation and end of service benefits.

**9. LONG TERM LOAN**

The Company has a shariah compliant loan facility “Al Tawarroq” with a limit of SAR 2,000 million from its parent Banque Saudi Fransi (“BSF”).

The outstanding / utilized amounts from the above facility which are as follows:

	<b><u>31 March 2020</u></b>	31 December
	<i>(Unaudited)</i>	<u>2019</u>
		<i>(Audited)</i>
Current portion	<b>395,220</b>	452,087
Non-current portion	<b>1,248,125</b>	1,175,000
	<b><u>1,643,345</u></b>	<u>1,627,087</u>

The long-term loans carry special commission rate equal to SIBOR plus bank margins payable on quarterly basis. The management have provided BSF with promissory notes against this facility.

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**10. ACCOUNTS PAYABLE**

	<b>31 March</b> <b>2020</b> <i>(Unaudited)</i>	31 December <b>2019</b> <i>(Audited)</i>
Third party insurance collected	11,113	11,827
Dealers payable	9,584	22,950
Commission payable	2,905	3,668
Insurance Payable	55,972	5,155
Customer verification expense payable	1,378	1,133
Government fee payable	671	867
Others	272	32
	<b>81,895</b>	<b>45,632</b>

**11. ZAKAT AND TAX**

The movement in the provision for zakat and tax is as follows:

	<b>31 March</b> <b>2020</b> <i>(Unaudited)</i>	31 December <b>2019</b> <i>(Audited)</i>
Opening zakat and tax	11,403	13,245
Charge for the period / year	3,051	10,161
Payment during the period / year	--	(12,003)
Closing zakat and tax	<b>14,454</b>	<b>11,403</b>

**Status of assessments**

The Company has submitted its zakat and income tax returns for the years ended 31 December 2012 to 2018 with the General Authority of Zakat and Income Tax ("GAZT").

During the period ended 31 March 2020, there has been no change in the status of the Company's zakat and income tax assessments from the status disclosed in the annual financial statements of the Company for the year ended 31 December 2019.

**12. FINANCE LEASE INCOME**

This includes a modification loss amounting to SR 3.1 million (31 March 2019: nil) and SR 2.4 million (31 March 2019: nil) due to the deferment of lease instalments related to receivables from Micro Small and Medium Enterprises ("MSME") and health care workers, respectively, as detailed in note 19 of the interim condensed financial statements.

**13. FEE INCOME AND EXPENSES**

	<b>For the three-month period ended 31 March</b>	
	<b>2020</b> <i>(Unaudited)</i>	<b>2019</b> <i>(Unaudited)</i>
<i>Fee income</i>		
Insurance income	47,127	42,229
Processing fee	2,469	1,800
Other operating income	703	719
	<b>50,299</b>	<b>44,748</b>
<i>Fee expenses</i>		
Insurance expenses	35,518	30,504
Commission	2,278	2,201
Registration fee	736	736
Verification expenses	204	172
	<b>38,736</b>	<b>33,613</b>

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**14. 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 and equity instrument 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 following table shows the carrying amount and fair values of financial assets and financial liabilities where fair value is different from carrying value or where the financial assets and liabilities are recorded at fair value, including their levels in the fair value hierarchy.

<b>31 March 2020</b> <i>(Unaudited)</i>	-----Fair Value-----				
	<i>Carrying Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b><u>Financial assets:</u></b>					
Net investments in finance leases	2,568,438	--	--	2,300,393	2,300,393
<b><u>Financial liabilities:</u></b>					
Negative fair value of derivative	40,927	--	40,927	--	40,927
-----Fair Value-----					
<b>31 December 2019</b> <i>(Audited)</i>	-----Fair Value-----				
	<i>Carrying Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b><u>Financial assets:</u></b>					
Positive fair value of derivative	1,918	--	1,918	--	1,918
Net investments in finance leases	2,531,701	--	--	2,254,302	2,254,302
<b><u>Financial liabilities:</u></b>					
Negative fair value of derivative	21,742	--	21,742	--	21,742

The fair value of net investment in finance lease is determined using discounted cash flow technique considering the credit adjusted market rates. The rates are determined based on the risk profile of lease receivables and current commission rates.

Fair value of long-term loan is not significantly different from the carrying values included in the financial statements since the current market commission rates for similar financial instruments are not significantly different from the contracted rates.

Fair value of financial assets held at fair value through other comprehensive income – equity instruments is not significantly different from the carrying values included in the financial statements.

There had been no inter-level transfers during the period.

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**15. GEOGRAPHICAL CONCENTRATION**

The Company's operations are restricted to the Kingdom of Saudi Arabia only.

**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 their 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.

<b>31 March 2020 (Unaudited)</b>	<b>Amount in SAR '000</b>		
	<b>Retail</b>	<b>Corporate</b>	<b>Total</b>
<b>Total assets</b>	<b>2,546,709</b>	<b>58,325</b>	<b>2,605,034</b>
<b>Total liabilities</b>	<b>1,871,507</b>	<b>898</b>	<b>1,872,405</b>
<b>Impairment allowance for expected credit losses</b>	<b>105,386</b>	<b>2,184</b>	<b>107,570</b>
<b>Total revenue</b>	<b>81,928</b>	<b>(617)</b>	<b>81,311</b>
<b>Total operating expenses</b>	<b>62,421</b>	<b>906</b>	<b>63,327</b>
<b>Net income for the period</b>	<b>19,507</b>	<b>(1,523)</b>	<b>17,984</b>

<b>31 December 2019 (Audited)</b>	<b>Amount in SAR '000</b>		
	<b>Retail</b>	<b>Corporate</b>	<b>Total</b>
<b>Total assets</b>	<b>2,478,475</b>	<b>54,568</b>	<b>2,532,943</b>
<b>Total liabilities</b>	<b>1,793,160</b>	<b>923</b>	<b>1,794,083</b>
<b>Impairment allowance for credit losses</b>	<b>102,944</b>	<b>2,092</b>	<b>105,036</b>
<b>31 March 2019 (Unaudited)</b>			
<b>Total revenue</b>	<b>78,630</b>	<b>1,897</b>	<b>80,527</b>
<b>Total operating expenses</b>	<b>44,808</b>	<b>1,097</b>	<b>45,905</b>
<b>Net income for the period</b>	<b>33,822</b>	<b>800</b>	<b>34,622</b>

**17. COMMITMENTS**

The Company has finance lease contracts approved but not utilised, indicative offers issued which are under consideration of the customers as of the reporting date which have the potential to convert into financing amounting to SR 2.24 million (31 December 2019: SR 12.9 million).

As at 31 March 2020, the Company has an outstanding guarantee of SR 5 million (31 December 2019: SR 5 million) submitted in favour of Abdul Latif Jameel Retail Company Limited against purchases of vehicle for onward leasing to customers.



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**18. IMPACT OF COVID-19 ON THE COMPANY'S OPERATIONS AND THE INTERIM CONDENSED FINANCIAL STATEMENTS**

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.

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, counterparty etc., collateral protection, timely review and customer credit rating actions and appropriately restructuring finance leases, where required. These also take into consideration the impacts of government and SAMA support relief programmes.

The 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 the estimation of ECL or revisions to the scenario probabilities currently being used by the Company. The impact of such uncertain economic environment is difficult to assess at this point in time for the purpose of ECL estimation. Alternatively, the Company has recognised overlays of SR 4.78 million. These have been based on a customer's employment segment analysis in cognisance of the impacted portfolios. The Company will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

**19. 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. Whilst the PSFSP encompasses several programs, the one most pertinent to the Company as at 31 March 2020 is the deferred payments 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 financing facilities 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 modification loss on investment in finance lease of SR 3.1 million as at 31 March 2020 and this has been presented as part of net lease finance income. In the absence of other factors, participation in the PSFSP is not considered a significant increase in credit risk.

Furthermore, in accordance with the PSFSP, the Company is also eligible for the deferral of its loan instalment payment to BSF. However, as at 31 March 2020, no such deferral has been agreed.

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**19. SAMA programs and initiatives launched**

*Health care sector support*

In recognition of the significant efforts that our healthcare workers are putting in to safeguard the health of our citizens and residents in response to the COVID-19 outbreak, the Company has decided to voluntarily postpone payments for all public and private health care workers who have lease contracts with the Company for three months. This has resulted in the Company recognising a day 1 modification loss of SR 2.4 million as at 31 March 2020 and this has been presented as part of net lease finance income.

**20. SUBSEQUENT EVENT**

In April 2020, SAMA has issued a circular to financing companies whereby they were instructed to provide necessary support for individual clients who lost their jobs in the private sector due to the impact of COVID-19 outbreak whether directly or indirectly. The support to be provided includes the deferral of instalments without any additional cost or charge to the individual clients for six months. The management assessed that this is a non-adjusting impact and that the resulting accounting treatment will be considered in Q2 2020.

Apart from the above matter, there have been no events subsequent to the reporting date that would require adjustment nor disclosure to the interim condensed financial statements as at and for the three months period ended 31 March 2020.

**21. BOARD OF DIRECTOR' APPROVAL**

The financial statements have been approved by the Board of Directors on 20 Ramadan 1441H (corresponding to 13 May 2020).