

SAUDI FRANSI FOR FINANCE LEASING
(Closed Joint Stock Company)
Interim Condensed Financial Statements
For the period ended 30 September 2016
together with the
Limited Review Report



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

License No. 46/11/323 issued 11/3/1992

LIMITED REVIEW REPORT

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

Scope of Review

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 30 September 2016 and the related interim condensed statement of income, interim condensed statement of comprehensive income, interim condensed statement of changes in shareholders' equity and interim condensed statement of cash flows for the eleven months period then ended and the related notes from 1 to 20, which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard - 34 "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A limited review consists principally of applying analytical procedures applied to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express an audit opinion.

Review Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard No. 34.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to note 1 to the interim condensed financial statements which state the fact that these interim condensed financial statements are for the long period of 11 months i.e. from 1 November 2015 to 30 September 2016, due to change in legal status of the Company to a closed joint stock company.

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdullah Hamad Al Fozan
Licence No. 348



Riyadh on: 25 Muharram 1438H
Corresponding to: 26 October 2016

SAUDI FRANSI FOR FINANCE LEASING
(Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 September 2016
(Saudi Riyals)

	<u>Note</u>	30 September 2016
Assets		
Non-current assets		
Property and equipment	6	566,672
Intangible assets		494,164
Net investment in finance leases	4	1,550,594,808
		1,551,655,644
Current assets		
Current maturity of net investment in finance leases	4	407,068,871
Due from a related party	8	99,404
Advances, prepayments and other receivables		36,947,228
Derivative Assets	5	10,642,930
Cash and bank		103,615,949
		558,374,382
Total assets		2,110,030,026
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	9	500,000,000
Statutory reserve	10	6,041,209
Cash flow hedge reserve	5	10,642,930
Accumulated profits		42,442,508
Total shareholders' equity		559,126,647
Liabilities		
Non-current liabilities		
Long term loan from a related party	7	1,157,500,000
Employees' end of service benefits		424,399
		1,157,924,399
Current liabilities		
Current maturity of long term loan	7	310,000,000
Accounts payable		25,234,131
Advance from customers		20,936,509
Due to related parties	8	19,620,925
Unearned income from dealer		5,773,548
Derivative Liability		--
Accrued expenses and other liabilities		6,522,786
Provision for zakat and income tax	11	4,891,081
		392,978,980
Total liabilities		1,550,903,379
Total liabilities and shareholders' equity		2,110,030,026

The accompanying notes (1) through (20) 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 period from 1 November 2015 to September 2016
(Saudi Riyals)

	<i>Note</i>	For the quarter ended <u>30 Sep 2016</u> (Unaudited)	For the period from 1 November 2015 to <u>30 Sep 2016</u> (Unaudited)
Lease finance income		26,705,170	80,403,462
Fee income, net		9,882,035	32,241,700
		<u>36,587,205</u>	<u>112,645,162</u>
Operating expenses			
Salaries and employee related expenses		(4,717,587)	(18,241,917)
Rent		(103,703)	(366,911)
Depreciation		(46,147)	(200,161)
Amortization		(123,593)	(450,041)
General and administration expenses	<i>12</i>	(815,715)	(3,090,943)
Financial charges		(10,885,065)	(31,118,897)
Provision for lease losses	<i>4.1</i>	(9,410,979)	(23,119,859)
		<u>(26,102,789)</u>	<u>(76,588,729)</u>
Operating income		10,484,416	36,056,433
Other income		686,096	2,180,013
Net income for the period		<u>11,170,512</u>	<u>38,236,446</u>
Earnings per share - basic and diluted		<u>0.23</u>	<u>0.54</u>

The accompanying notes (1) through (20) 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 period from 1 November 2015 to September 2016
(Saudi Riyals)

	For the quarter ended <u>30 Sep 2016</u> <i>(Unaudited)</i>	For the period from 1 November 2015 to <u>30 Sep 2016</u> <i>(Unaudited)</i>
<i>Net income for the period</i>	11,170,512	38,236,446
<i>Other comprehensive income</i>		
<i>Items that are or may be reclassified to profit or loss in subsequent periods</i>		
Cash flow hedges – effective portion of changes in fair value	8,480,187	4,642,517
Total comprehensive income for the period	<u>19,650,699</u>	<u>42,878,963</u>

The accompanying notes (1) through (20) 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 period from 1 November 2015 to September 2016
(Saudi Riyals)

	<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 November 2015 (audited)	100,000,000	2,217,565	6,000,413	12,918,957	121,136,935
Increase in Paid up Capital	400,000,000				400,000,000
Net income for the period	--	--	--	38,236,446	38,236,446
Transfer to statutory reserve	--	3,823,644	--	(3,823,644)	--
Cash flow hedge reserve	--	--	4,642,517	--	4,642,517
Zakat and income tax for the period	--	--	--	(4,889,251)	(4,889,251)
Balance as at 30 September 2016 (unaudited)	<u>500,000,000</u>	<u>6,041,209</u>	<u>10,642,930</u>	<u>42,442,508</u>	<u>559,126,647</u>

The accompanying notes (1) through (20) 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 period from 1 November 2015 to September 2016
(Saudi Riyals)

	For the quarter ended 30 Sep 2016 <i>(Unaudited)</i>	For the period from 1 November 2015 to 30 Sep 2016 <i>(Unaudited)</i>
	<i>Notes</i>	
Cash flows from operating activities		
Net income for the period	11,170,512	38,236,446
<i>Adjustments to reconcile net income to net cash used in operating activities</i>		
Depreciation	46,147	200,161
Amortization	123,593	450,041
Provision for lease losses	9,410,979	23,119,859
Employees' end of service benefits	61,802	212,387
<i>Changes in operating assets and liabilities</i>		
Net investment in finance leases	(172,178,955)	(971,690,762)
Advances, prepayments and other receivables	2,780,566	(17,223,247)
Accounts payable	(23,233,960)	10,803,205
Related parties, net	(3,250,485)	13,977,598
Advance from customers	(529,008)	12,806,415
Unearned income from dealer	(1,461,707)	1,260,082
Accrued expenses and other liabilities	(40,798)	1,745,867
Zakat and tax paid during the period	--	(2,165,576)
Net cash generated from / (used in) operating activities	(177,101,314)	(888,267,523)
Cash flows from investing activities		
Purchase of property and equipments	(55,000)	(177,300)
Term Deposit	15 200,000,000	--
Net cash used in investing activities	199,945,000	(177,300)
Cash flows from financing activities		
Long term loans	52,500,000	590,000,000
Issue of Share capital	--	400,000,000
Net cash from financing activities	52,500,000	990,000,000
Net increase in cash and cash equivalents	75,343,686	101,555,177
Cash and cash equivalents at the beginning of the period	28,272,263	2,060,772
Cash and cash equivalents at the end of the period	103,615,949	103,615,949

The accompanying notes (1) through (20) 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 period from 1 November 2015 to September 2016

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 issued in Riyadh on 28 Muharram, 1437 H (corresponding to 10 November 2015).

As per SAMA directive, the Company has obtained a license having no. 201511/ 38/أش) 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) as on 31 Oct 2015. All assets and liabilities of the LLC were transferred to CJSC at book value as on 31 Oct 2015. On transfer, internally generate goodwill was not recognized by the Company. Following were book value of assets and liabilities:

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

The Company is preparing its interim condensed financial statements for the long period of 11 months i.e. from 1 November 2015 to 30 September 2016 with no comparatives figures. The Company has also included results for the quarter ended 30 September 2016 in these financial statements the Company will also be preparing the long period year-end financial statements i.e. from 1 November 2015 till 31 December 2016 as requested by the DZIT for the Closed Joint Stock Company. The long period end financial statements will be first full set of CJSC, which will be prepared in accordance with the International Financial Reporting Standards.

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 34: 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) as required by the Implementing Regulation of the Finance Companies Control Law.

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.

SAUDI FRANSI FOR FINANCE LEASING
(Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the period from 1 November 2015 to September 2016

2. BASIS OF PREPARATION (*Continued*)

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 Riyals, 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 2016 and earlier application is permitted; however, the Company has not early applied the following new or amended standards in preparing these financial statements:

- IFRS 9 Financial instruments – published in July 2014, replaces the existing guidance in IAS 39 Financial instruments: recognition and measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.
- Amendments to IAS 1 – “Presentation of Financial Statements”, applicable for the annual periods beginning on or after 1 January 2016, clarify, existing IAS 1 requirements in relation to;
 - The materiality requirements in IAS 1
 - That specific line items in the statement(s) of profit or loss and other comprehensive income (“OCI”) and the statement of financial position may be disaggregated
 - That entities have flexibility as to the order in which they present the notes to financial statements
 - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.
- Amendments to IAS 16 – “Property, Plant and Equipment” and IAS 38 – “Intangible Assets”, applicable for the annual periods beginning on or after 1 January 2016, restricts the use of ratio of revenue generated to total revenue expected to be generated to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.
- IFRS 16 (Leases) – issued on 13 January 2016 which is effective 01 January 2019, requires that substantially all leases be brought on the statement of financial position in the books of the lessee while lessor's accounting module largely remain unchanged. The management is currently

SAUDI FRANSI FOR FINANCE LEASING
(Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the period from 1 November 2015 to September 2016

2. BASIS OF PREPARATION (*Continued*)

assessing the impact of IFRS 16 on the financial position and results of operations of the Company.

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 period from 1 November 2015 to September 2016

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.

SAUDI FRANSI FOR FINANCE LEASING
(Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the period from 1 November 2015 to September 2016
(Saudi Riyals)

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
(Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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(Saudi Riyals)

4. NET INVESTMENT IN FINANCE LEASES

	30 Sep 2016 (Unaudited)		
	Not later than one year	Later than one year and less than five years	Total
Lease contract receivables	559,185,217	2,060,485,628	2,619,670,845
Unearned lease income	(132,470,479)	(494,503,253)	(626,973,732)
	<u>426,714,738</u>	<u>1,565,982,375</u>	<u>1,992,697,113</u>
Provision for lease losses	4.1 (19,645,867)	(15,387,567)	(35,033,434)
Net investment in finance lease	<u>407,068,871</u>	<u>1,550,594,808</u>	<u>1,957,663,679</u>

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:

	For the quarter ended 30 Sep 2016	30 Sep 2016 (Unaudited)
Balance on Transfer from LLC	(1) --	11,913,575
Balance as at 30 June 2016	25,662,455	--
Provision for the quarter / period	9,410,979	23,119,859
	<u>35,033,434</u>	<u>35,033,434</u>

The provision for lease losses for the period includes SR 7.88 million (30 June 2016: 7.88 million) evaluated on a collective impairment basis.

5. DERIVATIVES ASSETS

Derivative financial instruments	Notional amount Total	Within 3 months			1-5 years
		3-12 months	3-12 months	3-12 months	
<u>Held for cash flow hedging</u>					
Commission rate swaps	1,297,500,000	77,500,000	232,500,000	987,500,000	
	<u>1,297,500,000</u>	<u>77,500,000</u>	<u>232,000,000</u>	<u>987,500,000</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 positive 10,642,930 as at 30 Sep 2016. 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 eleven months period ended 30 Sep 2016.

	30 Sep 2016	
	Additions (Unaudited)	Disposals (Unaudited)
Motor Vehicles	60,000	--
Equipment	117,300	--
Total	<u>177,300</u>	<u>--</u>

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

7. LONG TERM LOANS

The Company has a shariah compliant loan facility “Al Tawarroq” limit for SR 1,500 million from its parent Banque Saudi Fransi (“the Bank”), a related party,

As at 30 September 2016, the Company has utilized SR 1,467.5 million from the above facility which are as follows:

	30 Sep 2016
	<i>(Unaudited)</i>
Current portion	310,000,000
Non-current portion	1,157,500,00
	1,467,500,000

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.

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 not charged to statement of income as wholly compensated by Banque Saudi Fransi, a related party. Further, the Company office is located in the building owned by Banque Saudi Fransi, a related party, therefore, rent has not charged to statement of income. The details of the transactions are as below:

a) Transactions with related parties

		For the quarter ended	For the period
<u>Nature of transactions/balances</u>	<u>Related parties</u>	30 Sep 2016	from 1
		<i>(Unaudited)</i>	November to
			Sep 2016
			<i>(Unaudited)</i>
Lease rental received on behalf of a related party	Sofinco Saudi Fransi	454,416	1,444,032
Transfer of lease rentals to related party received on behalf of a related party	Banque Saudi Fransi	-	1,935,724
Expenses (IT maintenance)	Banque Saudi Fransi	37,500	137,500
Other income	Banque Saudi Fransi	135,000	495,000
Financial charges on long term loan	Banque Saudi Fransi	10,885,065	31,118,897
Insurance of leased assets	Allianz Saudi Fransi	15,238,524	66,876,246
Charging of staff cost and general	Banque Saudi Fransi	441,333	1,852,324
Bank Balances	Banque Saudi Fransi		103,615,906
Long term loan	Banque Saudi Fransi		1,467,500,000
Term Deposit	Banque Saudi Fransi		200,000,000

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

b) Due to related parties (excluding term loans) :

	30 Sep
	2016
	<i>(Unaudited)</i>
Banque Saudi Fransi (BSF)	14,266,504
Allianz Saudi Fransi	5,354,421
	19,620,925

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For the period from 1 November 2015 to September 2016
(Saudi Riyals)

8. RELATED PARTY TRANSACTIONS (Continued)

c) Due from a related party:		30 Sep 2016
		<i>(Unaudited)</i>
Sofinco Saudi Fransi		99,404
		99,404

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

9. SHARE CAPITAL

The share capital of the Company is SR 500 million (2015: SR 100 million) divided into 50 million (2015: 10 million) shares of SR 10 (2015: SR 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 30 September is as follows:

Zakat

	For the quarter ended 30 Sep 2016	As at 30 Sep 2016
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Balance transfer from LLC	(1) --	419,527
Balance on opening	515,769	--
Provided during the quarter / period	502,694	1,059,950
Paid during the period	--	(461,014)
Balance as at 30 Sep	1,018,463	1,018,463

Income tax

		30 Sep 2016
		<i>(Unaudited)</i>
Balance transfer from LLC	(1) --	1,747,878
Balance on opening	2,589,473	--
Provided during the quarter / period	1,283,146	3,829,301
Paid during the period	--	(1,704,561)
Balance as at 30 Sep	3,872,618	3,872,618

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11. ZAKAT AND INCOME TAX (Continued)

b) Status of Assessments

The Company has submitted its zakat and income tax returns for the years ended 31 December 2012 to 2015 to the Department of Zakat and Income Tax (DZIT), however, no assessment has been raised in respect for these years.

12. GENERAL AND ADMINISTRATIVE EXPENSES

	For the quarter ended 30 Sep 2016	For the period from 1 November 2015 to <u>30 Sep 2016</u>
Salaries and employee related expenses	(4,717,587)	(18,241,917)
Rent	(103,703)	(366,911)
General and administration expenses	(815,715)	(3,090,943)
	<u>(5,637,005)</u>	<u>(21,699,771)</u>

13. 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.

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 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 30 September 2016 are as follows:

Financial Statement Caption	Fair value hierarchy	Amount SAR
Derivative financial instruments	Level 2	10,642,930
Net investments in finance leases	Level 3	1,864,189,069

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

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15. TERM DEPOSIT

During the period, the company had placed term deposits of SR 200 million with Banque Saudi Fransi for cash management purposes at the rate 1-2% p.a. There is nil deposit as at 30 September 2016 held as term deposit.

16. 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.

17. GEOGRAPHICAL CONCENTRATION

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

18. 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.

	Retail	Corporate	Total
<u>30 September 2016 (Un-Audited)</u>	----- SAR '000 -----		
Total assets	2,037,278	72,752	2,110,030
Total liabilities	1,550,342	561	1,550,903
Total operating income	172,363	9,653	182,016
Total operating expenses	140,129	3,650	143,779
Net income for the period	32,234	6,002	38,236
Provision for lease losses	33,467	1,566	35,033

19. COMMITMENTS

	<u>30 Sep 2016</u> <i>(Unaudited)</i>
Finance lease contracts not yet executed	<u>13,988,899</u>

20. BOARD OF DIRECTOR' APPROVAL

These interim condensed financial statements were approved by the Board of directors on 26 October 2016 corresponding to 25 Muharram 1438H.