

SAUDI FRANSI FOR FINANCE LEASING
(Closed Joint Stock Company)
Interim Condensed Financial Statements
For the nine months period ended 30 September 2017
Together with the
Report on Review of Interim Financial Information



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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 30 September 2017, the related interim condensed statements of profit or loss and other comprehensive income for three and nine months period then ended, interim condensed statement of cash flows and interim condensed statement of changes in shareholders’ equity for nine 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 interim condensed financial statements as at 30 September 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: 06 Safar 1439H
Corresponding to: 26 October 2017



SAUDI FRANSI FOR FINANCE LEASING
(Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 September 2017
(Saudi Arabian Riyals)

	<u>Note</u>	30 September 2017 (Unaudited)	31 December 2016 (Audited)
<u>ASSETS</u>			
Non-current assets			
Property and equipment	6	478,832	553,159
Intangible assets		83,203	370,570
Net investment in finance leases	4	<u>1,860,009,804</u>	<u>1,583,802,921</u>
		1,860,571,839	1,584,726,650
Current assets			
Current maturity of net investment in finance leases	4	655,686,855	554,940,303
Due from a related party	9	177,096	123,904
Advances, prepayments and other receivables	7	55,976,681	31,072,482
Cash and bank		<u>45,009,709</u>	<u>26,527,116</u>
		756,850,341	612,663,805
Total assets		<u>2,617,422,180</u>	<u>2,197,390,455</u>
<u>EQUITY AND LIABILITIES</u>			
Shareholders' equity			
Share capital	10	500,000,000	500,000,000
Statutory reserve	11	12,019,885	7,160,730
Cash flow hedge reserve	5	(17,076,009)	(220,140)
Accumulated profits		<u>88,230,535</u>	<u>50,590,473</u>
Total shareholders' equity		583,174,411	557,531,063
Liabilities			
Non-current liabilities			
Long term loan from a related party	8	1,382,500,000	1,240,000,000
Employees' end of service benefits		<u>792,846</u>	<u>509,907</u>
		1,383,292,846	1,240,509,907
Current liabilities			
Current maturity of long term loan	8	522,500,000	310,000,000
Accounts payable		25,311,282	25,447,072
Advance from customers		35,105,585	26,041,774
Due to related parties	9	29,792,693	20,593,691
Unearned income from dealer		7,583,367	5,242,316
Derivative Liability	5	17,076,009	220,140
Accrued expenses and other liabilities		10,011,140	4,985,693
Provision for zakat and income tax	12	<u>3,574,847</u>	<u>6,818,799</u>
		650,954,923	399,349,485
Total liabilities		<u>2,034,247,769</u>	<u>1,639,859,392</u>
Total liabilities and shareholders' equity		<u>2,617,422,180</u>	<u>2,197,390,455</u>

The accompanying notes (1) through (19) 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 nine months period ended 30 September 2017
(Saudi Arabian Riyals)

	For the quarter ended		For the nine months period ended	
	<u>30 September</u> <i>Note</i> <u>2017</u> <i>(Unaudited)</i>	30 September <i>(Unaudited)</i> 2016	<u>30 September</u> <i>(Unaudited)</i> 2017	30 September <i>(Unaudited)</i> 2016
Lease finance income	36,566,080	26,705,170	104,797,713	69,596,065
Fee income, net	11,485,933	9,882,035	30,599,526	27,354,823
	48,052,013	36,587,205	135,397,239	96,950,888
Operating expenses				
Salaries and employee related expenses	(8,138,502)	(4,717,588)	(21,732,317)	(15,319,206)
Rent	(103,703)	(103,703)	(311,109)	(311,109)
Depreciation	(41,711)	(46,146)	(128,328)	(157,148)
Amortization	(44,210)	(123,593)	(287,367)	(368,093)
General and administration expenses	(1,250,318)	(610,211)	(2,981,123)	(1,995,348)
Financial charges	(15,527,929)	(11,090,569)	(41,208,521)	(28,999,635)
Provision for lease losses	<i>4.1</i> (7,229,366)	(9,410,980)	(22,870,564)	(19,693,761)
	(32,335,739)	(26,102,790)	(89,519,329)	(66,844,300)
Operating income	15,716,274	10,484,415	45,877,910	30,106,588
Other income	1,048,397	686,096	2,713,635	2,089,886
Net income for the period	16,764,671	11,170,511	48,591,545	32,196,474
Earnings per share - basic and diluted	0.34	0.22	0.97	0.64

The accompanying notes (1) through (19) 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 nine months period ended 30 September 2017
(Saudi Arabian Riyals)

	For the quarter ended		For the nine months period ended	
	30 September 2017 <i>(Unaudited)</i>	30 September 2016 <i>(Unaudited)</i>	30 September 2017 <i>(Unaudited)</i>	30 September 2016 <i>(Unaudited)</i>
Net income for the period	16,764,671	11,170,511	48,591,545	32,196,474
Other comprehensive income				
Items that are or may be reclassified to profit or loss in subsequent periods				
Cash flow hedges – effective portion of changes in fair value	134,049	12,805,673	(16,855,869)	4,642,517
Total comprehensive income for the period	16,898,720	23,976,184	31,735,676	36,838,991

The accompanying notes (1) through (19) 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 nine months period ended 30 September 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>
Balance as at 1 January 2017	500,000,000	7,160,730	(220,140)	50,590,473	557,531,063
Increase in paid up capital					
Net income for the period	--	--	--	48,591,545	48,591,545
Transfer to statutory reserve	--	4,859,155	--	(4,859,155)	--
Cash flow hedge reserve	--	--	(16,855,869)	--	(16,855,869)
Zakat and income tax for the period	--	--	--	(6,092,328)	(6,092,328)
Balance as at 30 September 2017	500,000,000	12,019,885	(17,076,009)	88,230,535	583,174,411

	<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	100,000,000	2,217,567	6,000,413	18,958,927	127,176,907
Increase in Paid up Capital	400,000,000	--	--	--	400,000,000
Net income for the period	--	--	--	32,196,474	32,196,474
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	500,000,000	6,041,211	10,642,930	42,442,506	559,126,647

The accompanying notes (1) through (19) 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 nine months period ended 30 September 2017
(Saudi Arabian Riyals)

	For the nine months ended	
	30 September 2017	30 September 2016
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cash flows from operating activities		
Net income for the period	48,591,545	32,196,474
<i>Adjustments to reconcile net income to net cash used in operating activities</i>		
Depreciation	128,328	157,148
Amortization	287,367	368,093
Provision for lease losses	22,870,564	19,693,761
Employees' end of service benefits	288,376	159,007
<i>Changes in operating assets and liabilities</i>		
Net investment in finance leases	(399,823,999)	(734,967,694)
Advances, prepayments and other receivables	(24,904,199)	(12,107,136)
Accounts payable	(135,790)	(1,232,816)
Related parties, net	9,145,810	9,672,909
Advance from customers	9,063,811	8,565,173
Unearned income from dealer	2,341,051	544,202
Accrued expenses and other liabilities	5,025,447	2,663,130
Zakat and tax paid during the period	(9,336,280)	(2,165,576)
Employees' end of service benefits	(5,437)	(36,073)
Net cash used in operating activities	<u>(336,463,406)</u>	<u>(676,489,398)</u>
Cash flows from investing activities		
Purchase of property and equipments	(54,001)	(177,300)
Net cash used in investing activities	<u>(54,001)</u>	<u>(177,300)</u>
Cash flows from financing activities		
Long term loans	355,000,000	337,500,000
Issue of share capital	-	400,000,000
Net cash inflow from financing activities	<u>355,000,000</u>	<u>737,500,000</u>
Net decrease in cash and cash equivalents	18,482,593	60,833,302
Cash and cash equivalents at the beginning of the period	26,527,116	42,782,647
Cash and cash equivalents at the end of the period	<u>45,009,709</u>	<u>103,615,949</u>

The accompanying notes (1) through (19) 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 nine months period ended 30 September 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. 1010320273.

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) 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.

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 nine months period ended 30 September 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.

The disclosures made in these interim condensed financial statements have been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting' and Saudi Arabian Monetary Authority (SAMA) guidance on accounting for zakat and tax. These interim condensed financial statements do not include all of the information required for a full set of financial statements and should be read in conjunction with period-end financial statements for the period ended 31 December 2016.

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.

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(Saudi Arabian Riyals)

2. BASIS OF PREPARATION (CONTINUED)

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:

- 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.

- Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealized 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.

- Amendments to IFRS 2 'Share based payments', on clarifying how to account for certain types of share-based payment transactions (effective 1 January 2018): Applicable for annual periods beginning on or after January 1, 2018

- IFRS 9 'Financial Instruments': Applicable for annual periods beginning on or after January 1, 2018

- IFRS 15, 'Revenue from contracts with customers': Applicable for annual periods beginning on or after January 1, 2018

- Amendment to IFRS 15, 'Revenue from contracts with customers': Applicable for annual periods beginning on or after January 1, 2018

- Amendment to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments': Applicable for annual periods beginning on or after January 1, 2018

- Amendment to IAS 40, 'Investment property' relating to transfers of investment property: Applicable for annual periods beginning on or after January 1, 2018

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)

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

- IFRIC 22, ‘Foreign currency transactions and advance consideration’: Applicable for annual periods beginning on or after January 1, 2018

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

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” and IFRS 17 – “Insurance Contracts” are not expected to have a significant impact on the Company’s interim condensed financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the period end financial statements for the period ended 31 December 2016.

4. NET INVESTMENT IN FINANCE LEASES

30 September 2017 (Unaudited)			
	<u>Not later than one year</u>	<u>Later than one year and less than five years</u>	<u>Total</u>
Lease contract receivables	871,009,722	2,475,205,626	3,346,215,348
Unearned lease income	(197,619,539)	(565,410,856)	(763,030,395)
	673,390,183	1,909,794,770	2,583,184,953
Provision for lease losses 4.1	(17,703,328)	(49,784,966)	(67,488,294)
Net investment in finance lease	655,686,855	1,860,009,804	2,515,696,659

These leased assets carrying a profit rate ranging from 0.01% to 7% (31 December 2016: 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.

31 December 2016 (Audited)			
	<u>Not later than one year</u>	<u>Later than one year and less than five years</u>	<u>Total</u>
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

SAUDI FRANSI FOR FINANCE LEASING
(Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the nine months period ended 30 September 2017
(Saudi Arabian Riyals)

4. NET INVESTMENT IN FINANCE LEASES (CONTINUED)

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

	For the nine months period ended 30 September 2017 (Unaudited)	For the year ended 31 December 2016 (Audited)
Balance as on 1 st January	44,617,730	11,913,575
Provision for the period / year	<u>22,870,564</u>	<u>32,704,155</u>
	<u>67,488,294</u>	<u>44,617,730</u>

The provision for lease losses as at period / year end includes SAR 26.4 million (31 December 2016: SAR 25.27 million) evaluated on a collective impairment basis.

5. DERIVATIVES LIABILITIES

	<u>30 September 2017 (Unaudited)</u>			
Derivative financial instruments Held for cash flow hedging	Notional amount Total	Within 3 months	3-12 months	1-5 years
Commission rate swaps	<u>1,952,500,000</u>	<u>112,500,000</u>	<u>367,500,000</u>	<u>1,427,500,000</u>
	<u>1,952,500,000</u>	<u>112,500,000</u>	<u>367,500,000</u>	<u>1,427,500,000</u>

	<u>31 December 2016 (Audited)</u>			
Derivative financial instruments Held for cash flow hedging	Notional amount Total	Within 3 months	3-12 months	1-5 years
Commission rate swaps	<u>1,220,000,000</u>	<u>77,500,000</u>	<u>232,500,000</u>	<u>910,000,000</u>
	<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 17,076,009[negative] as at 30 September 2017 (31 December 2016: SAR 220,140[negative]). 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 nine months period ended 30 September 2017:

	<u>30-Sep-17</u>		<u>31-Dec-16</u>	
	<u>Additions</u>	<u>Disposals</u>	<u>Addition</u>	<u>Disposals</u>
Motor Vehicles	-	-	60,000	-
Furniture, Fixture & Equipment	<u>54,000</u>	-	<u>151,512</u>	-
Total	<u>54,000</u>	-	<u>211,512</u>	-

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7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2017	31 December 2016
	<i>(Unaudited)</i>	<i>(Audited)</i>
Prepaid insurance	53,816,161	29,873,922
Prepaid rent	126,449	167,425
Dealer receivable	1,649,994	633,532
Other receivables	384,077	397,603
	<u>55,976,681</u>	<u>31,072,482</u>

8. 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 30 September 2017, the Company has utilized SAR 1.905 million (31 December 2016: 1,550 million) from the above facility which are as follows:

	30 September 2017	31 December 2016
	<i>(Unaudited)</i>	<i>(Audited)</i>
Current portion	522,500,000	310,000,000
Non-current portion	1,382,500,000	1,240,000,000
	<u>1,905,000,000</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.

9. 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>	For the Nine months ended 30 September 2017	For the Nine months ended 30 September 2016
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Lease rental received on behalf of a related party	Sofinco Saudi Fransi	590,583	1,398,622
Transfer of lease rentals to related party received on behalf of a related party	Banque Saudi Fransi	391,184	1,935,724
Expenses (IT maintenance)	Banque Saudi Fransi	112,500	112,500
Other income	Banque Saudi Fransi	405,000	405,000
Financial charges on long term loan and derivative financial instrument	Banque Saudi Fransi	41,208,521	28,999,635
Insurance expense of leased assets	Allianz Saudi Fransi	74,377,437	66,876,246
Charging of staff cost and general	Banque Saudi Fransi	5,481,968	1,852,324

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For the nine months period ended 30 September 2017
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9. RELATED PARTY TRANSACTIONS (CONTINUED)

a) Transactions with related parties (CONTINUED)

<u>Nature of balances</u>	<u>Related parties</u>	<u>As at 30 September 2017 (Unaudited)</u>	<u>As 31 December 2016 (Audited)</u>
Bank Balances	Banque Saudi Fransi	<u>45,007,209</u>	<u>26,524,618</u>
Long term loan	Banque Saudi Fransi	<u>1,905,000,000</u>	<u>1,550,000,000</u>

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 September 2017 (Unaudited)	31 December 2016 (Audited)
Banque Saudi Fransi (BSF)	19,765,068	14,770,420
Allianz Saudi Fransi	10,027,625	5,823,271
	<u>29,792,693</u>	<u>20,593,691</u>

c) Due from a related party:	30 September 2017 (Unaudited)	31 December 2016 (Audited)
Sofinco Saudi Fransi	177,096	123,904
	<u>177,096</u>	<u>123,904</u>

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

10. 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.

11. 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.

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12. 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 2017 is as follows:

Zakat

	As at	As at
	30 September	31 December
	2017	2016
	(Unaudited)	(Audited)
Balance transfer from LLC	(1) --	419,527
Balance on opening	1,436,376	--
Provided during the period / year	1,320,720	1,477,865
Paid during the period / year	(1,481,133)	(461,016)
Closing Balance	<u>1,275,963</u>	<u>1,436,376</u>

Income tax

	As at	As at
	30 September	31 December
	2017	2016
	(Unaudited)	(Audited)
Balance transfer from LLC	(1) --	1,747,878
Balance on opening	5,382,423	--
Provided during the period / year	4,771,608	5,339,106
Paid during the period / year	(7,855,147)	(1,704,561)
Closing Balance	<u>2,298,884</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.

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).

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14. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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 2017 are as follows:

<u>Financial Statement Caption</u>	<u>Fair value hierarchy</u>	<u>30 September 2017</u> <i>(Unaudited)</i>	<u>31 December 2016</u> <i>(Audited)</i>
Derivative financial instruments	Level 2	(17,076,009)	(220,140)
Net investments in finance leases	Level 3	2,302,133,740	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

15. 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.

16. GEOGRAPHICAL CONCENTRATION

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

17. 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>
<u>30 September 2017 (Un-Audited)</u>	----- SAR '000 -----		
Total assets	2,557,752	59,671	2,617,422
Total liabilities	2,033,760	487	2,034,248
Total operating income	128,943	6,455	135,397
Total operating expenses	89,491	28	89,519
Net income for the period	39,452	6,426	45,878
Provision for lease losses	65,546	1,942	67,488

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17. SEGMENT REPORTING (CONTINUED)

	<u>Amount in SAR '000</u>		
	<u>Retail</u>	<u>Corporate</u>	<u>Total</u>
<u>31 December 2016 (Audited)</u>	----- 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 year	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>
<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	91,110	5,841	96,951
Total operating expenses	66,013	831	66,844
Net income for the period	25,096	5,010	30,107
Provision for lease losses	33,467	1,566	35,033

18. COMMITMENTS

	30 September <u>2017</u> (Unaudited)	31 December <u>2016</u> (Audited)
Finance lease contracts not yet executed	<u>11,636,079</u>	<u>17,471,204</u>

19. BOARD OF DIRECTOR' APPROVAL

These interim condensed financial statements were approved by the Board of directors on 24 October 2017 corresponding to 04 Safar 1439H.