

**SAUDI FRANSI FOR FINANCE LEASING**  
(Closed Joint Stock Company)  
**Interim Condensed Financial Statements**  
**For the twelve-month period ended 31 December 2017**  
Together with the  
**Independent Auditors' Review Report**



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

The Shareholders  
Saudi Fransi for Finance Leasing  
(Closed Joint Stock Company)  
Riyadh, Kingdom of Saudi Arabia

### *Introduction*

We have reviewed the accompanying interim condensed financial statements of **Saudi Fransi for Finance Leasing** (Closed Joint Stock Company) ("the Company"), which comprises:

- the interim condensed statement of financial position as at 31 December 2017;
- the interim condensed statements of income and other comprehensive income for the three-month and twelve-month periods ended 31 December 2017;
- the interim condensed statement of changes in shareholders' equity for the twelve-month period ended 31 December 2017;
- the interim condensed statement of cash flows for the twelve-month period ended 31 December 2017; 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 IAS 34, 'Interim Financial Reporting' as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income 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" that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying December 31, 2017 interim condensed financial statements of Saudi Fransi for Finance Leasing (Closed Joint Stock Company) are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as modified by SAMA for the accounting of zakat and income tax.

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

Abdullah Hamad Al Fozan  
License No: 348

Date: 2 Jumada Al Thani 1439H  
Corresponding to: 18 February 2018



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

	<u>Note</u>	31 December 2017 (Unaudited)	31 December 2016 (Audited)
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Property and equipment	6	436,713	553,159
Intangible assets		333,950	370,570
Net investment in finance leases	4	<u>1,807,071,273</u>	<u>1,583,802,921</u>
		<b>1,807,841,936</b>	<b>1,584,726,650</b>
<b>Current assets</b>			
Current maturity of net investment in finance leases	4	709,521,210	554,940,303
Due from a related party	9	177,096	123,904
Advances, prepayments and other receivables	7	39,061,833	31,072,482
Cash and bank		<u>74,345,211</u>	<u>26,527,116</u>
		<b>823,105,350</b>	<b>612,663,805</b>
<b>Total assets</b>		<b><u>2,630,947,286</u></b>	<b><u>2,197,390,455</u></b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Shareholders' equity</b>			
Share capital	10	500,000,000	500,000,000
Statutory reserve	11	13,788,128	7,160,730
Cash flow hedge reserve	5	(8,886,436)	(220,140)
Accumulated profits		<u>102,840,944</u>	<u>50,590,473</u>
<b>Total shareholders' equity</b>		<b>607,742,636</b>	<b>557,531,063</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term loan from a related party	8	1,255,000,000	1,240,000,000
Employees' end of service benefits		<u>873,846</u>	<u>509,907</u>
		<b>1,255,873,846</b>	<b>1,240,509,907</b>
<b>Current liabilities</b>			
Current maturity of long term loan	8	650,000,000	310,000,000
Accounts payable		26,657,721	25,447,072
Advance from customers		44,121,874	26,041,774
Due to related parties	9	18,472,623	20,593,691
Unearned income from dealer		7,587,967	5,242,316
Derivative liabilities	5	8,886,436	220,140
Accrued expenses and other liabilities		8,034,747	4,985,693
Provision for zakat and income tax	12	<u>3,569,436</u>	<u>6,818,799</u>
		<b>767,330,804</b>	<b>399,349,485</b>
<b>Total liabilities</b>		<b><u>2,023,204,650</u></b>	<b><u>1,639,859,392</u></b>
<b>Total liabilities and shareholders' equity</b>		<b><u>2,630,947,286</u></b>	<b><u>2,197,390,455</u></b>

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

**SAUDI FRANSI FOR FINANCE LEASING**  
(Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF INCOME**  
For the twelve-month period ended 31 December 2017  
(Saudi Arabian Riyals)

	<b>For the three-month period ended</b>		<b>For the twelve-month period ended</b>	<b>For the period from 1 November 2015 to 31 December 2016</b>
	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2017</b>	
<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Lease finance income	<b>38,326,731</b>	28,882,362	<b>143,124,444</b>	109,285,824
Fee income, net	<b>11,844,928</b>	9,870,432	<b>42,444,454</b>	42,112,132
	<b>50,171,659</b>	38,752,794	<b>185,568,898</b>	151,397,956
<b>Operating expenses</b>				
Salaries and employee related expenses	<b>(7,556,514)</b>	(5,185,253)	<b>(29,288,831)</b>	(23,427,170)
Rent	<b>(103,703)</b>	(103,703)	<b>(414,812)</b>	(470,614)
Depreciation	<b>(42,118)</b>	(47,725)	<b>(170,446)</b>	(247,886)
Amortization	<b>(42,691)</b>	(123,594)	<b>(330,058)</b>	(573,635)
General and administration expenses	<b>(1,776,859)</b>	(1,093,237)	<b>(4,757,982)</b>	(4,433,167)
Financial charges	<b>(14,895,736)</b>	(11,879,710)	<b>(56,104,257)</b>	(42,749,620)
Provision for lease losses	<i>4.1</i> <b>(8,972,562)</b>	(9,584,295)	<b>(31,843,126)</b>	(32,704,155)
	<b>(33,390,183)</b>	(28,017,517)	<b>(122,909,512)</b>	(104,606,247)
<b>Operating income</b>	<b>16,781,476</b>	10,735,277	<b>62,659,386</b>	46,791,709
Other income	<b>900,956</b>	459,930	<b>3,614,591</b>	2,639,943
<b>Net income for the period</b>	<b>17,682,432</b>	11,195,207	<b>66,273,977</b>	49,431,652
<b>Earnings per share - basic and diluted</b>	<i>13</i> <b>0.35</b>	0.22	<b>1.33</b>	0.99

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

**SAUDI FRANSI FOR FINANCE LEASING**  
(Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
For the twelve-month period ended 31 December 2017  
*(Saudi Arabian Riyals)*

	<b>For the three-month period ended</b>		<b>For the twelve-month period ended</b>	For the period from 1
	<b>31 December 2017</b>	31 December 2016	<b>31 December 2017</b>	November 2015 to 31 December 2016
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>Net income for the period</b>	<b>17,682,432</b>	11,195,207	<b>66,273,977</b>	49,431,652
<b>Other comprehensive income</b>				
<b>Items that can be recycled back to statement of income in subsequent periods</b>				
Cash flow hedges – effective portion of changes in fair value	<b>8,189,573</b>	(10,863,070)	<b>(8,666,296)</b>	(6,220,553)
<b>Total comprehensive income for the period</b>	<b>25,872,005</b>	332,137	<b>57,607,681</b>	43,211,099

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

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

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Cash flow hedge reserve</u>	<u>Accumulated profits</u>	<u>Total</u>
<b>Balance as at 1 January 2017</b>	<b>500,000,000</b>	<b>7,160,730</b>	<b>(220,140)</b>	<b>50,590,473</b>	<b>557,531,063</b>
Net income for the period	--	--	--	<b>66,273,977</b>	<b>66,273,977</b>
Transfer to statutory reserve	--	<b>6,627,398</b>	--	<b>(6,627,398)</b>	--
Cash flow hedge reserve	--	--	<b>(8,666,296)</b>	--	<b>(8,666,296)</b>
Zakat and income tax for the period	--	--	--	<b>(7,396,108)</b>	<b>(7,396,108)</b>
<b>Balance as at 31 December 2017</b>	<b><u>500,000,000</u></b>	<b><u>13,788,128</u></b>	<b><u>(8,886,436)</u></b>	<b><u>102,840,944</u></b>	<b><u>607,742,636</u></b>

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Cash flow hedge reserve</u>	<u>Accumulated profits</u>	<u>Total</u>
Transferred on 1st November 2015	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	--	--	--	49,431,652	49,431,652
Transfer to statutory reserve	--	4,943,165	--	(4,943,165)	--
Cash flow hedge reserve	--	--	(6,220,553)	--	(6,220,553)
Zakat and income tax for the period	--	--	--	(6,816,971)	(6,816,971)
<b>Balance as at 31 December 2016</b>	<b><u>500,000,000</u></b>	<b><u>7,160,730</u></b>	<b><u>(220,140)</u></b>	<b><u>50,590,473</u></b>	<b><u>557,531,063</u></b>

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

**SAUDI FRANSI FOR FINANCE LEASING**  
(Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
For the twelve-month period ended 31 December 2017  
(Saudi Arabian Riyals)

	<b>For the twelve-month period ended 31 December 2017</b> <i>(Unaudited)</i>	For the period from 1 November 2015 to 31 December 2016 <i>(Audited)</i>
<b>Cash flows from operating activities</b>		
Net income for the period	<b>66,273,977</b>	49,431,652
<i>Adjustments to reconcile net income to net cash used in operating activities</i>		
Depreciation	<b>170,446</b>	247,886
Amortization	<b>330,058</b>	573,635
Provision for lease losses	<b>31,843,126</b>	32,704,155
Employees' end of service benefits	<b>369,376</b>	333,967
<b>Operating income before changes in operating assets and liabilities</b>	<b>98,986,983</b>	33,859,643
<i>Net (increase) / decrease in operating assets</i>		
Net investment in finance leases	<b>(409,692,385)</b>	(1,162,354,604)
Advances, prepayments and other receivables	<b>(7,989,351)</b>	(11,348,501)
Due from a related party	<b>(53,192)</b>	1,041,339
<i>Net increase / (decrease) in operating liabilities</i>		
Accounts payable	<b>1,210,649</b>	11,016,146
Due to related parties	<b>(2,121,068)</b>	11,153,675
Advance from customers	<b>18,080,100</b>	17,911,680
Unearned income from dealer	<b>2,345,651</b>	5,242,317
Accrued expenses and other liabilities	<b>3,049,054</b>	(1,573,842)
Zakat and tax paid during the period	<b>(10,645,471)</b>	(2,165,577)
Employees' end of service benefits	<b>(5,437)</b>	(36,072)
<b>Net cash used in operating activities</b>	<b>(306,834,467)</b>	(1,047,822,144)
<b>Cash flows from investing activities</b>		
Purchase of intangibles	<b>(293,438)</b>	--
Purchase of property and equipment	<b>(54,000)</b>	(211,512)
<b>Net cash used in investing activities</b>	<b>(347,438)</b>	(211,512)
<b>Cash flows from financing activities</b>		
Long term loans	<b>355,000,000</b>	672,500,000
Issue of share capital	<b>--</b>	400,000,000
<b>Net cash inflow from financing activities</b>	<b>355,000,000</b>	1,072,500,000
Net decrease in cash and cash equivalents	<b>47,818,095</b>	24,466,344
Cash and cash equivalents at the beginning of the period	<b>26,527,116</b>	2,060,772
<b>Cash and cash equivalents at the end of the period</b>	<b>74,345,211</b>	26,527,116

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



**SAUDI FRANSI FOR FINANCE LEASING**  
(Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the twelve-month period ended 31 December 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 Saudi Arabian Monetary Authority (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 is involved 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 International Accounting Standard 34: 'Interim Financial Reporting' as modified by the Saudi Arabian Monetary Authority (“SAMA”) for the accounting of zakat and income tax.

As per the SAMA Circular no. 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax (“SAMA Circular”), the zakat and income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings.

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' as modified by SAMA for the accounting of zakat and income 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.

The comparative information for the statement of income and statement of comprehensive income included in these interim condensed financial statements is for the period from 1 November 2015 to 31 December 2016 i.e. from the date of change in status of the Company, as mentioned in Note 1 of the interim condensed financial statements.

**b) *Basis of measurement***

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

**SAUDI FRANSI FOR FINANCE LEASING**  
(Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-month and twelve-month period ended 31 December 2017  
(Saudi Arabian Riyals)

**2. BASIS OF PREPARATION**

*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 basis for accounting estimates and judgments adopted in the preparation of these interim condensed financial statements is the same as that applied in the preparation of the financial statements for the period ended December 31, 2016.

*e) New standards, amendments to standards and interpretations – effective during the period*

The following amendments are applicable for annual periods beginning on or after January 1, 2017:

- Amendments to IASs’ - “Disclosure Initiative”
- Amendments to IAS 7 – “Statement of Cash Flows”. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash change.

These amendments do not have any significant impact on or after these condensed interim financial statements.

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

The Company has not early adopted the following new standards effective for annual periods on or after 1 January 2017.

		<b>Effective for annual periods beginning on or after</b>
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 16	Leases	1 January 2019

The Management of the Company is currently conducting an exercise to evaluate the impact of IFRS 9 on the annual financial statements of the Company in the year of its initial application.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING RISK MANAGEMENT POLICIES**

The significant accounting and risk management 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.

**SAUDI FRANSI FOR FINANCE LEASING**  
(Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-month and twelve-month period ended 31 December 2017  
(Saudi Arabian Riyals)

**4. NET INVESTMENT IN FINANCE LEASES**

	<b>31 December 2017 (Unaudited)</b>		
	<b>Not later than one year</b>	<b>Later than one year and less than five years</b>	<b>Total</b>
Lease contract receivables	943,781,893	2,405,547,624	3,349,329,517
Unearned lease income	(212,362,493)	(543,913,685)	(756,276,178)
	731,419,400	1,861,633,939	2,593,053,339
Provision for lease losses	4.1 (21,898,190)	(54,562,666)	(76,460,856)
Net investment in finance lease	709,521,210	1,807,071,273	2,516,592,483

These leased assets carry profit rates ranging from 0.01% to 7% (31 December 2016: 0.01% 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 2016 (Audited)</b>		
	<b>Not later than one year</b>	<b>Later than one year and less than five years</b>	<b>Total</b>
Lease contract receivables	740,897,922	2,119,302,953	2,860,200,875
Unearned lease income	(174,239,462)	(502,600,459)	(676,839,921)
	566,658,460	1,616,702,494	2,183,360,954
Provision for lease losses	4.1 (11,718,157)	(32,899,573)	(44,617,730)
Net investment in finance lease	554,940,303	1,583,802,921	2,138,743,224

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

	<b>For the twelve-month period ended 31 December 2017 (Unaudited)</b>	<b>For the period from 1 November 2015 to 31 December 2016 (Audited)</b>
Balance as on 1 <sup>st</sup> January/ Transfer from LLC	44,617,730	11,913,575
Provision for the period	31,843,126	32,704,155
	76,460,856	44,617,730

The provision for lease losses as at period-end includes SAR 34.059 million (31 December 2016: SAR 25.27 million) evaluated on a collective impairment basis.

**SAUDI FRANSI FOR FINANCE LEASING**  
(Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-month and twelve-month period ended 31 December 2017  
(Saudi Arabian Riyals)

**5. DERIVATIVES LIABILITIES**

<b>Derivative financial instruments</b> <u>Held for cash flow hedging</u>	<b>31 December 2017 (Unaudited)</b>			
	<b>Notional amount</b> <b>Total</b>	<b>Within 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>
Commission rate swaps	<b>1,840,000,000</b>	<b>112,500,000</b>	<b>382,500,000</b>	<b>1,345,000,000</b>
		<b>31 December 2016 (Audited)</b>		
Derivative financial instruments <u>Held for cash flow hedging</u>	<b>Notional amount</b> <b>Total</b>	<b>Within 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>
Commission rate swaps	1,220,000,000	77,500,000	232,500,000	910,000,000

The Company entered into commission rate swaps with its parent, Banque Saudi Fransi (BSF). The net fair value of commission rate swaps is SAR 8,886,436[negative] as at 31 December 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 year ended 31 December 2017:

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

**7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**

	<b>Note</b>	<b>31 December 2017</b> <i>(Unaudited)</i>	<b>31 December 2016</b> <i>(Audited)</i>
Prepaid insurance		<b>36,848,125</b>	29,873,922
Prepaid rent		<b>172,919</b>	167,425
Dealer receivable		<b>1,053,009</b>	633,532
Advance for purchase of investment	<b>7.1</b>	<b>892,850</b>	--
Other receivables		<b>94,930</b>	397,603
		<b>39,061,833</b>	31,072,482

- 7.1 As part of establishing the Saudi Contract Registration Company, SAMA has directed all finance leasing companies to be part of the consortium by contributing equally to the shareholding. Accordingly, the Company has paid SAR 892,850 for 89,285 shares amounting to SR 10 per share. These shares have not yet been issued.

**SAUDI FRANSI FOR FINANCE LEASING**  
(Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-month and twelve-month period ended 31 December 2017  
(Saudi Arabian Riyals)

**8. LONG TERM LOAN FROM A RELATED PARTY**

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

As at 31 December 2017, the Company has utilized SAR 1,905 million (31 December 2016: 1,550 million) from the above facility which are as follows:

	<b>31 December 2017</b>	31 December 2016
	<i>(Unaudited)</i>	<i>(Audited)</i>
Current portion	<b>650,000,000</b>	310,000,000
Non-current portion	<b>1,255,000,000</b>	1,240,000,000
	<b>1,905,000,000</b>	1,550,000,000

The long-term loans carry special commission rate equal to SIBOR plus bank margins 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 Banque Saudi Fransi (parent entity) and its 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. The details of the transactions are as below:

**a) Transactions with related parties**

<u>Nature of transactions</u>	<u>Related parties</u>	<b>For the twelve- month period ended 31 December 2017</b>	For the period from 1 November 2015 to 31 December 2016
		<i>(Unaudited)</i>	<i>(Audited)</i>
Lease rental received on behalf of a related party	Sofinco Saudi Fransi	<b>764,687</b>	1,943,100
Transfer of lease rentals to related party received on behalf of a related party	Banque Saudi Fransi	<b>391,184</b>	2,623,010
Expenses (IT maintenance)	Banque Saudi Fransi	<b>150,000</b>	175,000
Other income	Banque Saudi Fransi	<b>540,000</b>	630,000
Financial charges on long term loan and commission rate swaps	Banque Saudi Fransi	<b>56,104,257</b>	42,749,620
Insurance expense of leased assets	Allianz Saudi Fransi	<b>104,307,031</b>	82,331,120
Charging of staff cost and general	Banque Saudi Fransi	<b>8,570,842</b>	3,088,181

Certain expenses paid by BSF on behalf of the Company were not charged by BSF to the Company. These expenses include salary compensation of CEO and provision of rent free premises.

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

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

<b>b) Due to related parties (excluding term loans) :</b>	<b>31 December</b>	31 December
	<b>2017</b>	<b>2016</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Banque Saudi Fransi	<b>12,077,359</b>	14,770,420
Allianz Saudi Fransi	<b>6,395,264</b>	5,823,271
	<b><u>18,472,623</u></b>	<b><u>20,593,691</u></b>
<b>c) Due from a related party:</b>	<b>31 December</b>	31 December
	<b>2017</b>	<b>2016</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Sofinco Saudi Fransi	<b>177,096</b>	123,904

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

<b>d) Other balances with related party:</b>	<b>31 December</b>	31 December
	<b>2017</b>	<b>2016</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<u>Nature of balances</u>	<u>Related parties</u>	
Bank Balances	Banque Saudi Fransi	26,527,116
Long term loan	Banque Saudi Fransi	1,550,000,000
	<b>74,342,711</b>	
	<b><u>1,905,000,000</u></b>	<b><u>1,550,000,000</u></b>

As at 31 December 2017, the Company has 39 lease contracts (31 December 2016: 46) with Banque Saudi Fransi with outstanding principal amounting to SAR 3.821 million (31 December 2016: SAR 4.904 million).

**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 31 December 2017 is as follows:

<b>Zakat</b>	<b>As at 31 December 2017 (Unaudited)</b>	<b>As at 31 December 2016 (Audited)</b>
Balance transfer from LLC	(1) --	419,527
Balance on opening	<b>1,436,376</b>	--
Provided during the period	<b>1,898,001</b>	1,477,865
Paid during the period	<b>(1,481,133)</b>	(461,016)
Closing Balance	<b><u>1,853,244</u></b>	<u>1,436,376</u>

<b>Income tax</b>	<b>As at 31 December 2017 (Unaudited)</b>	<b>As at 31 December 2016 (Audited)</b>
Balance transfer from LLC	(1) --	1,747,878
Balance on opening	<b>5,382,423</b>	--
Provided during the period	<b>5,498,107</b>	5,339,106
Paid during the period	<b>(9,164,338)</b>	(1,704,561)
Closing Balance	<b><u>1,716,192</u></b>	<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, 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.

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

<u>Financial Statement Caption</u>	<u>Fair value hierarchy</u>	<u>31 December 2017</u> <i>(Unaudited)</i>	<u>31 December 2016</u> <i>(Audited)</i>
Derivative financial instruments	Level 2	<b>(8,886,436)</b>	(220,140)
Net investments in finance leases	Level 3	<b>2,297,250,868</b>	2,032,288,310

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

**15. GEOGRAPHICAL CONCENTRATION**

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



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**16. SEGMENT REPORTING**

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

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

	<u>Amount in SAR '000</u>		
	<u>Retail</u>	<u>Corporate</u>	<u>Total</u>
<b><u>31 December 2017 (Un-Audited)</u></b>	----- SAR '000 -----		
Total assets	2,577,546	53,401	2,630,947
Total liabilities	2,022,618	587	2,023,205
Total operating income	180,926	8,258	189,184
Total operating expenses	122,211	699	122,910
Net income for the period	58,715	7,559	66,274
Provision for lease losses	73,848	2,613	76,461

	<u>Amount in SAR '000</u>		
	<u>Retail</u>	<u>Corporate</u>	<u>Total</u>
<b><u>31 December 2016 (Audited)</u></b>	----- SAR '000 -----		
Total assets	2,126,673	70,717	2,197,390
Total liabilities	1,637,647	1,024	1,638,671
Total operating income	144,965	9,073	154,038
Total operating expenses	103,337	1,270	104,606
Net income for the period	41,628	7,803	49,432
Provision for lease losses	42,704	1,914	44,618

**17. COMMITMENTS**

	<b>31 December 2017 (Unaudited)</b>	31 December <u>2016</u> (Audited)
Finance lease contracts not yet executed	<b>483,240</b>	17,471,204

**18. BOARD OF DIRECTOR' APPROVAL**

These interim condensed financial statements were approved by the Board of directors on 13 February 2018 corresponding to 27 Jumada Al-Awwal 1439H.