

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**Condensed Interim Financial Statements**  
**For the three-month period ended 31 March 2019**  
together with the  
**Independent auditors' 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 11 874 8500  
Fax +966 11 874 8600  
Internet www.kpmg.com/sa

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

# Independent auditors' review report on the condensed interim financial statements

To the shareholders of Saudi Fransi for Finance Leasing

## Introduction

We have reviewed the accompanying 31 March 2019 condensed interim financial statements of **Saudi Fransi for Finance Leasing** ("the Company"), which comprises:

- the condensed statement of financial position as at 31 March 2019;
- the condensed statement of income for the three months period ended 31 March 2019;
- the condensed statement of comprehensive income for the three months period ended 31 March 2019;
- the condensed statement of changes in shareholders' equity for the three months period ended 31 March 2019;
- the condensed statement of cash flows for the three months period ended 31 March 2019; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with the International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") 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 condensed interim 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* ("ISRE 2410") that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2019 condensed interim financial statements of **Saudi Fransi for Finance Leasing** are not prepared, in all material respects, in accordance with IAS 34 as modified by SAMA for the accounting of zakat and income tax.

For KPMG Al Fozan & Partners  
Certified Public Accountants

Ebrahim Oboud Baeshen  
License No: 382

Riyadh on: 23 Sha'ban 1440H  
Corresponding to: 28 April 2019



**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2019  
(Saudi Arabian Riyals)

	<i>Note</i>	<b>31 March 2019 (Unaudited)</b>	31 December 2018 (Audited)
<b><u>ASSETS</u></b>			
Cash and cash equivalents		<b>85,203,859</b>	126,412,674
Net investment in finance leases	5	<b>2,341,035,275</b>	2,317,604,097
Advances, prepayments and other receivables		<b>127,224,610</b>	55,214,977
Investment at FVOCI		<b>892,850</b>	892,850
Positive fair value of derivatives	8	<b>1,944,009</b>	5,192,208
Intangible assets		<b>286,089</b>	325,376
Property and equipment		<b>388,328</b>	398,796
Due from a related party	7	-	26,111
<b>Total assets</b>		<b><u>2,556,975,020</u></b>	<b><u>2,506,067,089</u></b>
<b><u>SHAREHOLDERS' EQUITY AND LIABILITIES</u></b>			
<b><u>Liabilities</u></b>			
Long-term loan	6	<b>1,668,025,055</b>	1,703,867,529
Accounts payable		<b>38,454,192</b>	27,482,282
Advance from customers		<b>59,800,397</b>	51,292,532
Due to related parties	7	<b>52,198,195</b>	12,429,495
Negative fair value of derivatives	8	<b>10,989,421</b>	5,465,092
Accrued expenses and other liabilities		<b>6,904,004</b>	9,701,580
Employees' end of service benefits		<b>4,698,995</b>	4,485,022
Provision for zakat and income tax	9	<b>16,731,143</b>	13,244,777
<b>Total liabilities</b>		<b><u>1,857,801,402</u></b>	<b><u>1,827,968,309</u></b>
<b>Shareholders' equity</b>			
Share capital		<b>500,000,000</b>	500,000,000
Statutory reserve		<b>22,243,930</b>	22,243,930
Cash flow hedge reserve	8	<b>(9,045,412)</b>	(272,883)
Retained earnings		<b>185,975,100</b>	156,127,733
<b>Total shareholders' equity</b>		<b><u>699,173,618</u></b>	<b><u>678,098,780</u></b>
<b>Total shareholders' equity and liabilities</b>		<b><u>2,556,975,020</u></b>	<b><u>2,506,067,089</u></b>

The accompanying notes (1) through (14) form an integral part of these condensed interim financial statements.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**CONDENSED STATEMENT OF INCOME**  
For the three-months period ended 31 March 2019  
*(Saudi Arabian Riyals)*

	<b>For the three-months period ended 31 March</b>	
<i>Note</i>	<b><u>2019</u></b> <i>(Unaudited)</i>	<b><u>2018</u></b> <i>(Unaudited)</i>
<b>Income from operations</b>		
Lease finance income	<b>34,406,698</b>	36,558,376
Fees income	<b>44,748,182</b>	40,660,453
	<b>79,154,880</b>	77,218,829
<b>Operating expenses</b>		
Fees expenses	<b>(33,612,859)</b>	(30,870,038)
Salaries and employee related expenses	<b>(7,819,012)</b>	(6,821,606)
Rent	<b>(103,316)</b>	(103,703)
Depreciation	<b>(32,208)</b>	(40,672)
Amortization	<b>(39,286)</b>	(62,902)
General and administration expenses	<b>(1,094,467)</b>	(844,045)
Financing charges	<b>(14,525,012)</b>	(15,345,095)
Reversal / allowance for expected credit losses, net	<i>5.1</i>	
	<b>11,321,304</b>	(2,417,664)
	<b>(45,904,856)</b>	(56,505,725)
<b>Operating income</b>	<b>33,250,024</b>	20,713,104
Other income	<b>1,372,435</b>	920,287
<b>Net income for the period</b>	<b>34,622,459</b>	21,633,391

The accompanying notes (1) through (14) form an integral part of these condensed interim financial statements.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
For the three-months period ended 31 March 2019  
(Saudi Arabian Riyals)

		<b>For the three-months period ended 31 March</b>	
	<i><u>Note</u></i>	<b><u>2019</u></b>	<b><u>2018</u></b>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Net income for the period</b>		<b>34,622,459</b>	21,633,391
 <b><u>Other comprehensive income</u></b>			
<i>Items that may be reclassified to statement of income in subsequent years:</i>			
Cash flow hedges – net change in fair value	8	<b>(8,772,529)</b>	5,417,905
<b>Total comprehensive income for the period</b>		<b>25,849,930</b>	27,051,296

The accompanying notes (1) through (14) form an integral part of these condensed interim financial statements.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
For the three-months period ended 31 March 2019  
(Saudi Arabian Riyals)

<b>For the period ended 31 March 2019</b>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Cash flow hedge reserve</u>	<u>Retained earnings</u>	<u>Total</u>
<b>Balance as at 1 January 2019</b>	<b>500,000,000</b>	<b>22,243,930</b>	<b>(272,883)</b>	<b>156,127,733</b>	<b>678,098,780</b>
Net income for the period	--	--	--	<b>34,622,459</b>	<b>34,622,459</b>
Other comprehensive income	--	--	<b>(8,772,529)</b>	--	<b>(8,772,529)</b>
Zakat and income tax for the period (note 9)	--	--	--	<b>(4,775,092)</b>	<b>(4,775,092)</b>
<b>Balance as at 31 March 2019 (unaudited)</b>	<b>500,000,000</b>	<b>22,243,930</b>	<b>(9,045,412)</b>	<b>185,975,100</b>	<b>699,173,618</b>
<b>For the period ended 31 March 2018</b>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Cash flow hedge reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balances as at 31 December 2017 – as previously reported	500,000,000	13,788,128	(8,886,436)	102,840,944	607,742,636
Impact of adopting of new standards at 1 January 2018	--	--	--	<b>(6,051,748)</b>	<b>(6,051,748)</b>
Balance as at 1 January 2018	500,000,000	13,788,128	(8,886,436)	96,789,196	601,690,888
Net income for the period	--	--	--	21,633,391	21,633,391
Cash flow hedge reserve	--	--	5,417,905	--	5,417,905
Zakat and income tax for the period	--	--	--	<b>(1,708,987)</b>	<b>(1,708,987)</b>
Balance as at 31 March 2018 (unaudited)	500,000,000	13,788,128	(3,468,531)	116,713,600	627,033,197

The accompanying notes (1) through (14) form an integral part of these condensed interim financial statements.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**CONDENSED STATEMENT OF CASH FLOWS**  
For the three-months period ended 31 March 2019  
(Saudi Arabian Riyals)

	<u>Notes</u>	<u>31 March</u> <u>2019</u>	<u>31 March</u> <u>2018</u>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Cash flows from operating activities</b>			
Net income for the period		<b>34,622,459</b>	21,633,391
<i>Adjustments to reconcile net income to net cash generated from operating activities:</i>			
Depreciation		<b>32,208</b>	40,672
Amortization		<b>39,286</b>	62,902
(Reversal) / charge for expected credit losses, net	5	<b>(11,321,304)</b>	2,417,664
Employees' end of service benefits		<b>231,404</b>	93,099
Financing charges		<b>14,525,012</b>	15,345,095
<b>Operating income before changes in operating assets and liabilities</b>		<b>38,129,065</b>	39,592,823
<i>Net (increase) / decrease in operating assets</i>			
Net investment in finance leases		<b>(12,109,875)</b>	54,073,388
Advances, prepayments and other receivables		<b>(72,009,633)</b>	(63,123,899)
Due from a related party		<b>26,111</b>	(50,000)
		<b>(45,964,332)</b>	30,492,312
<i>Net increase / (decrease) in operating liabilities</i>			
Accounts payable		<b>10,971,911</b>	7,714,344
Due to related parties		<b>39,768,700</b>	74,856,166
Advance from customers		<b>8,507,865</b>	499,175
Accrued expenses and other liabilities		<b>(2,797,576)</b>	(62,339)
<b>Net cash from operations</b>		<b>10,486,568</b>	113,499,658
Zakat and tax paid		<b>(1,288,726)</b>	--
Employees' end of service benefits paid		<b>(17,431)</b>	(10,702)
<b>Net cash generated from operating activities</b>		<b>9,180,411</b>	113,488,956
<b>Cash flows from investing activities</b>			
Purchase of intangibles		--	(189,376)
Purchase of property and equipment		<b>(21,740)</b>	--
<b>Net cash used in investing activities</b>		<b>(21,740)</b>	(189,376)
<b>Cash flows from financing activities</b>			
Draw down of long-term loan		<b>110,000,000</b>	--
Payments of long-term loan		<b>(145,000,000)</b>	--
Financing charges paid		<b>(15,367,486)</b>	(11,734,813)
<b>Net cash used in financing activities</b>		<b>(50,367,486)</b>	(11,734,813)
Net (decrease) / increase in cash and cash equivalents		<b>(41,208,815)</b>	101,564,767
Cash and cash equivalents at the beginning of the period		<b>126,412,674</b>	74,345,211
<b>Cash and cash equivalents at the end of the period</b>		<b>85,203,859</b>	175,909,978

The accompanying notes (1) through (14) form an integral part of these condensed interim financial statements.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2019  
(Saudi Arabian Riyals)

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

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

As per Saudi Arabian Monetary Authority (“SAMA”) directive, the Company obtained a license no. 201511/38/أش to conduct financing activities. Further, pursuant to ministerial resolution in respect of the conversion of Limited Liability Company (“LLC”), the Company changed its legal status from a LLC to a Closed Joint Stock Company on 1 November 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 (vehicle financing).

**2. BASIS OF PREPARATION**

**a) *Statement of compliance***

These condensed interim financial statements for the three-month period ended 31 March 2019 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as modified by SAMA for the accounting of zakat and income tax.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements therefore, these should be read in conjunction with the Company’s annual audited financial statements as at and for the year ended 31 December 2018. The Company has adopted IFRS 16 Leases from 1 January 2019 and accounting policies for this new standard are disclosed in note 4.

**b) *Basis of measurement***

These condensed interim financial statements have been prepared under the historical cost convention except for commission rate swaps and financial assets held at fair value through other comprehensive income – equity instrument, which are measured at fair value.

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

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



**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2019  
(Saudi Arabian Riyals)

**3. IMPACT OF CHANGE IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS**

Effective from 1 January 2019, the Company has adopted IFRS 16 Leases (“IFRS 16”). Accounting policies for this new standard is disclosed in note 4 of these condensed interim financial statements. IFRS 16 replaces the existing guidance on leases, including IAS 17 Leases (“IAS 17”), IFRIC 4 Determining whether an Arrangement contains a Lease (“IFRIC 4”), SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease (“SIC 15”).

IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Company’s statement of financial position, unless the term is 12 months or less or the lease is for a low value asset. Thus, the classification required under IAS 17 into either an operating or finance lease is eliminated for lessees. For each lease, the lessee recognises a liability for the lease obligations to be incurred in the future. Correspondingly, a right to use the leased asset is capitalised, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Company adopted IFRS 16 using the modified retrospective approach. The Company elected to apply the standard to contracts that were previously identified as a lease applying IAS 17 and IFRIC 4. The Company therefore did not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. The Company elected to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting and risk management policies used in the preparation of these condensed interim financial statements are consistent with those used and disclosed in the financial statements for the year ended 31 December 2018 except for the policies explained below. Based on the adoption of new standards explained in note 3, the following accounting policies are applicable effective 1 January 2019 replacing, amending or adding to the corresponding accounting policies set out in 2018 financial statements.

**Right of Use Asset / Lease Liabilities**

On initial recognition, at inception of the contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

**Right of Use Assets**

The Company applies the cost model, and measures the right of use asset at cost;

- a) Less any accumulated depreciation and any accumulated impairment losses; and
- c) Adjusted for any re-measurement of the lease liability for lease modifications.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2019  
(Saudi Arabian Riyals)

**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Lease Liability**

On initial recognition, the lease liability is the present value of all remaining payments to the lessor. After the commencement date, the Company measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability;
2. Reducing the carrying amount to reflect the lease payments made and;
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

**5. NET INVESTMENT IN FINANCE LEASES**

31 March 2019 (Unaudited)				
	<i>Note</i>	<u>Not later than one year</u>	<u>Later than one year and less than five years</u>	<u>Total</u>
Lease contract receivables		1,074,196,013	1,992,024,482	3,066,220,495
Unearned lease income		<u>(222,694,539)</u>	<u>(412,806,391)</u>	<u>(635,500,930)</u>
		851,501,474	1,579,218,091	2,430,719,565
Allowance for expected credit losses	5.1	<u>(31,463,582)</u>	<u>(58,220,708)</u>	<u>(89,684,290)</u>
Net investment in finance lease		<u><u>820,037,892</u></u>	<u><u>1,520,997,383</u></u>	<u><u>2,341,035,275</u></u>

These leased assets carry profit rates ranging from 3% to 7% per annum (31 December 2018: 3% to 7% per annum) 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 collateral against the finance leases.

31 December 2018 (Audited)				
	<i>Note</i>	<u>Not later than one year</u>	<u>Later than one year and less than five years</u>	<u>Total</u>
Lease contract receivables		996,177,692	2,065,798,294	3,061,975,986
Unearned lease income		<u>(209,259,992)</u>	<u>(434,106,303)</u>	<u>(643,366,295)</u>
		786,917,700	1,631,691,991	2,418,609,691
Allowance for expected credit losses	6.1	<u>(32,818,672)</u>	<u>(68,186,922)</u>	<u>(101,005,594)</u>
Net investment in finance leases		<u><u>754,099,028</u></u>	<u><u>1,563,505,069</u></u>	<u><u>2,317,604,097</u></u>

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

	<b>For the period ended 31 March 2019 (Unaudited)</b>	For the year ended 31 December 2018 (Audited)
Balance as at 1 January	101,005,594	76,460,856
Impact of adopting of new accounting standards at 1 January 2018	--	6,051,748
<b>Balance as at 1 January 2018 – restated</b>	<b>101,005,594</b>	82,512,604
(Reversal) / charge for the period / year	<u><b>(11,321,304)</b></u>	18,492,990
	<u><b>89,684,290</b></u>	<u>101,005,594</u>

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the three-month period ended 31 March 2019  
(Saudi Arabian Riyals)

**6. LONG-TERM LOAN**

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

As at period / year-end, the outstanding / utilized amounts from the above facility are as follows:

	<b>31 March 2019 (Unaudited)</b>	31 December 2018 (Audited)
Current portion	<b>538,025,055</b>	551,367,529
Non-current portion	<b>1,130,000,000</b>	1,152,500,000
	<b><u>1,668,025,055</u></b>	<u>1,703,867,529</u>

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

**7. RELATED PARTY TRANSACTIONS**

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

The Company in its ordinary course of business transacts with the following related parties.

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

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

**a) Transactions with related parties**

<u>Nature of transactions</u>	<u>Related parties</u>	<u>For the three-months period ended</u>	
		<u>31 March 2019 (Unaudited)</u>	31 March 2018 (Unaudited)
Lease rental collected	Sofinco Saudi Fransi (An affiliate)	<b>221,299</b>	945,946
IT maintenance and network related expenses	BSF	<b>300,000</b>	237,500
Financial charges on long-term loan and commission rate swaps including bank charges	BSF	<b>14,525,012</b>	14,977,078
Commission on short term deposit	BSF	<b>120,764</b>	108,681
Insurance expense of leased assets	Allianz Saudi Fransi (An affiliate)	<b>30,504,238</b>	29,056,469
Salaries and employee related expenses	BSF	<b>1,184,940</b>	1,967,304
Draw down of long-term loan	BSF	<b>110,000,000</b>	--
Payments of long-term loan	BSF	<b>145,000,000</b>	--

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

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2019  
(Saudi Arabian Riyals)

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

The above transactions mainly resulted in the following balances:

<b>b) Due to related parties (excluding term loan) :</b>	<b>31 March</b>	31 December
	<b><u>2019</u></b>	<b><u>2018</u></b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
BSF	<b>4,380,152</b>	3,160,247
Allianz Saudi Fransi	<b>47,818,043</b>	9,269,248
	<b><u>52,198,195</u></b>	<b><u>12,429,495</u></b>

<b>c) Due from a related party:</b>	<b>31 March</b>	31 December
	<b><u>2019</u></b>	<b><u>2018</u></b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
BSF	--	<b>26,111</b>
Sofinco Saudi Fransi	--	--
	<b><u>--</u></b>	<b><u>26,111</u></b>

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

<b>Other balances with a related party:</b>		<b>31 March</b>	31 December
		<b><u>2019</u></b>	<b><u>2018</u></b>
		<i>(Unaudited)</i>	<i>(Audited)</i>
<u><i>Nature of balances</i></u>	<u><i>Related party</i></u>		
Cash & cash equivalents	Banque Saudi Fransi	<b>85,201,359</b>	<b>126,410,174</b>
Long-term loan	Banque Saudi Fransi	<b><u>1,668,025,055</u></b>	<b><u>1,703,867,529</u></b>

As at 31 March 2019, the Company had 20 lease contracts (31 December 2018: 27) with Banque Saudi Fransi with an aggregate outstanding principal amounting to SAR 1.697 million (31 December 2018: SAR 2.081 million).

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

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Salaries	365,937	349,179
End of service benefits	30,494	29,098
Other allowances	6,000	6,000
	<b><u>402,431</u></b>	<b><u>384,277</u></b>

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2019  
(Saudi Arabian Riyals)

**8. DERIVATIVES**

<b>31 March 2019 (Unaudited)</b>				
<b>Derivative financial instruments</b>	-----Notional amount-----			
<b><u>Held for cash flow hedging</u></b>	<b>Within 3 Months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Total</b>
<b>Commission rate swaps</b>	<b>132,500,000</b>	<b>397,500,000</b>	<b>1,020,000,000</b>	<b>1,550,000,000</b>
31 December 2018 (Audited)				
Derivative financial instruments	-----Notional amount-----			
<u>Held for cash flow hedging</u>	Within 3 months	3-12 months	1-5 year	Total
Commission rate swaps	145,000,000	397,500,000	1,152,500,000	1,695,000,000

The Company entered into commission rate swaps with its parent, BSF. The positive fair value of commission rate swaps as at 31 March 2019 amounted to SAR 1,944,009 (31 December 2018: SAR 5,192,208) and negative fair value of commission rate swaps amounted to SAR 10,989,421 (31 December 2018: SAR 5,465,092). The fair value of commission rate swaps is calculated using discounted cash flow model using a risk free discount rate adjusted for appropriate risk margin for counterparty risk including entity's own credit risk.

**9. ZAKAT AND INCOME TAX**

The Company has submitted its zakat and income tax returns for the years ended 31 December 2012 to 2017 with the General Authority of Zakat and Income Tax ("GAZT").

During the period ended 31 March 2019, there has been no change in the status of the Company's zakat and income tax assessments for the years 2012 to 2014 from the status disclosed in the annual financial statements of the Company for the year ended 31 December 2018.

***2015 to 2017***

During the three month period ended 31 March 2019, the Company signed the settlement agreement with GAZT in respect of assessment from 2015 to 2017. Pursuant to this settlement agreement, the Company is liable to pay SR 6,443,631 in six instalments. Out of these instalments, the Company has paid one instalment of SR 1,288,726. The provision of SR 6,443,631 was included in the annual audited financial statements as at and for the year ended 31 December 2018.

***2018***

Furthermore, under the same settlement agreement the Company has agreed the computation method of the zakat for the year 2018 with the GAZT and the Company will be paying SR 7.1 million in that respect by 30 April 2019. The provision of SR 7.1 million was included in the annual audited financial statements as at and for the year ended 31 December 2018.

***2019***

On 14th March 2019, the Ministry of Finance ("MOF") issued new zakat implementation regulations [Ministerial Resolution No 2216]. The new regulations is applicable to fiscal years commencing on or after 1st January 2019. Accordingly, the Company has recorded zakat and income tax based on the new regulations issued by GAZT.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2019  
(Saudi Arabian Riyals)

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

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

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

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

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

<i>31 March 2019 (Unaudited)</i>	-----Fair Value-----				
	<i>Carrying Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b><u>Financial assets:</u></b>					
Positive fair value of derivatives	1,944,009	--	1,944,009	--	1,944,009
Net investments in finance leases - gross	2,430,719,565	--	--	1,999,428,844	1,999,428,844
Investment at FVOCI	892,850	--	--	892,850	892,850
<b><u>Financial liabilities:</u></b>					
Negative fair value of derivatives	10,989,421	--	10,989,421	--	10,989,421
-----Fair Value-----					
<i>31 December 2018 (Audited)</i>	<i>Carrying Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b><u>Financial assets:</u></b>					
Positive fair value of derivatives	5,192,208	--	5,192,208	--	5,192,208
Net investments in finance leases - gross	2,418,609,691	--	--	2,015,030,109	2,015,030,109
Investment at FVOCI	892,850	--	--	892,850	892,850
<b><u>Financial liabilities:</u></b>					
Negative fair value of derivatives	5,465,092	--	5,465,092	--	5,465,092

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2019  
(Saudi Arabian Riyals)

**10. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

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 expected commission rates.

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

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

There have been no transfers within the levels during the period.

**11. 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.

	Amount in SAR '000		
	<u>Retail</u>	<u>Corporate</u>	<u>Total</u>
<b><u>31 March 2019 (Unaudited)</u></b>			
Total assets	<u>2,512,221</u>	<u>44,754</u>	<u>2,556,975</u>
Total liabilities	<u>1,857,452</u>	<u>349</u>	<u>1,857,801</u>
Impairment allowance for expected credit losses	<u>87,849</u>	<u>1,835</u>	<u>89,684</u>
Total operating income	<u>78,630</u>	<u>1,897</u>	<u>80,527</u>
Total operating expenses	<u>44,808</u>	<u>1,097</u>	<u>45,905</u>
Net income for the period	<u>33,822</u>	<u>800</u>	<u>34,622</u>
Amount in SAR '000			
<b><u>31 December 2018 (Audited)</u></b>			
Total assets	<u>2,467,761</u>	<u>38,306</u>	<u>2,506,067</u>
Total liabilities	<u>1,857,207</u>	<u>594</u>	<u>1,857,801</u>
Impairment allowance for expected credit losses	<u>99,668</u>	<u>1,338</u>	<u>101,006</u>
Amount in SAR '000			
<b><u>31 March 2018 (Unaudited)</u></b>			
Total operating income	<u>75,730</u>	<u>2,409</u>	<u>78,139</u>
Total operating expenses	<u>55,811</u>	<u>695</u>	<u>56,506</u>
Net income for the period	<u>19,919</u>	<u>1,714</u>	<u>21,633</u>

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2019  
(Saudi Arabian Riyals)

**12. COMMITMENTS**

	<b>31 March</b> <b><u>2019</u></b> <i>(Unaudited)</i>	31 December <b><u>2018</u></b> <i>(Audited)</i>
Finance lease contracts not yet executed	<b><u>11,893,997</u></b>	<b><u>7,402,499</u></b>

**13. SUBSEQUENT EVENTS**

No events have occurred subsequent to the reporting date and before the issuance of these financial statements which requires adjustment to, or disclosure, in these condensed interim financial statements.

**14. BOARD OF DIRECTORS' APPROVAL**

These condensed interim financial statements were approved by the Board of Directors on 21 April 2019 corresponding to 16 Sha'ban 1440H.