

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS'
REVIEW REPORT

For the three months period ended
31 March 2018

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018
(Expressed in Saudi Riyals)

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Independent auditors' report on review of interim financial statements

To the Shareholders
Gulf Lifting Financial Leasing Company
Dammam
Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying 31 March 2018 condensed interim financial statements of **Gulf Lifting Financial Leasing Company** (the "Company") which comprises:

- the condensed statement of financial position as at 31 March 2018;
- the condensed statement of profit or loss for the three month period ended 31 March 2018;
- the condensed statement of profit or loss and other comprehensive income for the three months period ended 31 March 2018;
- the condensed statement of changes in shareholders' equity for the three month period ended 31 March 2018;
- the condensed statement of cash flows for the three month period ended 31 March 2018; 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 International Accounting Standard 34, "Interim Financial Reporting" and Saudi Arabian Monetary Agency ("SAMA") guidance for the accounting of Zakat and 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' 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 31 March 2018 condensed interim financial statements of **Gulf Lifting Financial Leasing Company** are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting' and SAMA guidance for the accounting of Zakat and tax.

For KPMG Al Fozan & Partners
Certified Public Accountants



Tariq Abdulrahman Al Sunaid
License No: 419



Al Khobar, 9 Shaaban 1439H
Corresponding to: 25 April 2018G

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF FINANCIAL POSITION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018
(Expressed in Saudi Riyals)

	Note	31 March 2018 (Unaudited)	31 December 2017 (Audited)
ASSETS			
Non-current assets			
Net investment in finance leases	3	26,596,153	29,936,957
Advance for investment		892,850	892,850
Intangible asset		586,912	748,943
Property and equipment		520,881	552,200
Total non-current assets		<u>28,596,796</u>	<u>32,130,950</u>
Current assets			
Cash and cash equivalents	4	141,961,047	143,987,147
Current maturity of net investment in finance leases	3	12,378,891	12,408,831
Due from related parties	6	2,105,378	-
Prepayments and other receivable		998,044	1,086,900
Advance to suppliers		4,478,649	-
Total current assets		<u>161,922,009</u>	<u>157,482,878</u>
TOTAL ASSETS		<u>190,518,805</u>	<u>189,613,828</u>
SHAREHOLDERS' EQUITY AND LIABILITIES			
LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	5	100,000,000	100,000,000
Additional equity contribution		90,644,283	90,644,283
Accumulated losses		(6,490,749)	(5,477,645)
TOTAL SHAREHOLDERS' EQUITY		<u>184,153,534</u>	<u>185,166,638</u>
Non-current liabilities			
Employees' terminal benefits		163,250	140,469
Total non-current liabilities		<u>163,250</u>	<u>140,469</u>
Current liabilities			
Accrued expenses		551,290	654,222
Due to a related party	6	4,545	43,070
Advance from customers		845,914	-
Provision for Zakat	8	4,800,272	3,609,429
Total current liabilities		<u>6,202,021</u>	<u>4,306,721</u>
TOTAL LIABILITIES		<u>6,365,271</u>	<u>4,447,190</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		<u>190,518,805</u>	<u>189,613,828</u>

The financial statements appearing on pages 1 to 15 were approved by the Board of Directors on 9 Shaaban 1439H corresponding to 25 April 2018 and have been signed on its behalf by:

Director

Chief Executive Officer

Finance Manager

The accompanying notes from 1 to 9 form an integral part of these condensed interim financial statements.

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF PROFIT OR LOSS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018
(Expressed in Saudi Riyals)

	For the three months ended 31 March 2018 (Unaudited)	For the three months ended 31 March 2017 (Unaudited)
INCOME		
Income from operations		
Finance lease	1,248,298	1,287,002
Income from other activities		
Income from short term bank deposits	477,173	266,378
Total income	1,725,471	1,553,380
EXPENSES		
Salaries and related expenses	(1,037,459)	(739,130)
Legal and professional charges	(125,756)	(140,482)
Rent and related expenses	(74,796)	(73,965)
Depreciation and amortization	(200,940)	-
Other general and administration expenses	(108,781)	(11,560)
Total expenses	(1,547,732)	(965,137)
Profit for the period	177,739	588,243

The accompanying notes from 1 to 9 form an integral part of these condensed interim financial statements

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018
(Expressed in Saudi Riyals)

	For the three months ended 31 March 2018 (Unaudited)	For the three months ended 31 March 2017 (Unaudited)
Period for the period	177,739	588,243
Other comprehensive income	-	-
Total comprehensive income for the period	177,739	588,243

The accompanying notes from 1 to 9 form an integral part of these condensed interim financial statements.

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018
(Expressed in Saudi Riyals)

	<u>Note</u>	<u>For the three months ended 31 March 2018 (Unaudited)</u>	<u>For three months ended 31 March 2017 (Unaudited)</u>
OPERATING ACTIVITIES			
Profit for the period		177,739	588,243
<i>Adjustments for:</i>			
Depreciation		38,909	-
Amortization		162,031	-
Provision for employees' terminal benefit		22,781	23,434
		<u>401,460</u>	<u>611,677</u>
Changes in operation assets and liabilities			
Net investment in finance lease		3,370,744	8,866,006
Due from related parties		(2,105,378)	(3,517,215)
Due to a related party		(38,525)	-
Prepayments and other receivables		88,856	(925,088)
Accrued expenses		(102,932)	(89,628)
Advance from customers		845,914	-
Advance to suppliers		(4,478,649)	-
Net cash (used in)/generated from operating activities		<u>(2,018,510)</u>	<u>4,945,752</u>
INVESTING ACTIVITIES			
Addition to property and equipment		(7,590)	-
Increase in capital work-in-progress		-	(1,466,688)
Net cash used in investing activities		<u>(7,590)</u>	<u>(1,466,688)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(2,026,100)</u>	3,479,064
Cash and cash equivalents at beginning of the period		<u>143,987,147</u>	131,894,718
Cash and cash equivalent at end of the period	4	<u>141,961,047</u>	<u>135,373,782</u>

The accompanying notes from 1 to 9 form an integral part of these condensed interim financial statements.

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018
(Expressed in Saudi Riyals)

	Share capital	Additional equity contribution	Accumulated losses	Total
Balance as at 1 January 2018	100,000,000	90,644,283	(5,477,645)	185,166,638
Total comprehensive income for the period	-	-	177,739	177,739
Zakat for the period (Note 8)	-	-	(1,190,843)	(1,190,843)
31 March 2018 (Unaudited)	<u>100,000,000</u>	<u>90,644,283</u>	<u>(6,490,749)</u>	<u>184,153,534</u>
Balance as at 1 January 2017	100,000,000	90,644,283	(1,101,162)	189,543,121
Total comprehensive income for the period	-	-	588,243	588,243
Zakat for the period (Note -8)	-	-	(898,831)	(898,831)
31 March 2017 (Unaudited)	<u>100,000,000</u>	<u>90,644,283</u>	<u>(1,411,750)</u>	<u>189,232,533</u>

The accompanying notes from 1 to 9 form an integral part of these condensed interim financial statement

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018
(Expressed in Saudi Riyals)

1. CORPORATE INFORMATION

Gulf Lifting Financial Leasing Company (the “Company”) previously known as “Gulf Lifting Rental Company” is a Saudi closed joint stock company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company is registered in Dammam under commercial registration number 2050030896 dated 19 Shaban, 1416H corresponding to 10 January 1996 and operating under company license number 47/A Sh/201708 dated 14 Dhul Qa’dah 1438H corresponding to 6 August 2017 issued by Saudi Arabian Monetary Agency (“SAMA”).

The Company is engaged in the finance leasing business. The Company is effectively wholly owned by Yusuf Bin Ahmed Kanoo Company Limited.

In 2013, a new Finance Lease Law was enacted in the Kingdom of Saudi Arabia, whereby, only licensed companies are allowed to conduct finance lease business in the Kingdom of Saudi Arabia. Accordingly, the shareholders of the Company (i) filed application with relevant authorities to secure license to conduct finance lease business; (ii) increased the capital of the Company from SR 40 million to SR 100 million as required by the law; and (iii) resolved to transfer all the business activities and related assets and liabilities at carrying amount of operating lease business to a shareholder effective from 1 January 2013. During 2016, the Company received initial approval of the acceptance of application from the Saudi Arabia Monetary Agency (SAMA).

During 2016, the shareholders of the Company resolved to change the name of the Company from Gulf Lifting Rental Company to Gulf Lifting Financial Leasing Company. Further, the Company was converted from limited liability company into a closed joint stock company in accordance with Ministerial Resolution number 287/Q dated 27 Dhu Al Qa’dah 1437H, corresponding to 30 August 2016. The legal formalities associated with the change in name and legal status of the Company were completed during 2016.

In view of the change in legal status, the shareholders also resolved to (i) Convert statutory reserve and retained earnings to additional equity contribution at 30 August 2016 and (ii) transfer the assets, liabilities and activities of the Company to Closed Joint Stock Company.

During 2017, the Company has received license from SAMA for practice of finance lease business in Kingdom of Saudi Arabia on 6 of August 2017 corresponding to 14 Dhul Qahda 1438H.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements are prepared using IAS 34 ‘Interim Financial Reporting’ and SAMA guidance for the accounting of Zakat and Income Tax and should be read in conjunction with the Company’s last annual financial statements as at and for the year ended 31 December 2017 (“Last Annual Financial Statements”). They do not include all of the information required for a complete set of IFRS financial statements. However, changes in accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last financial statements.

This is the first set of Condensed Interim Financial Statements where where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 2.5.

2.2 Basis of preparation

The Company has prepared these condensed interim financial statements under the historical cost convention on the accrual basis of accounting.

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION (Continued)

2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Saudi Arabian Riyals which is the Company's functional and presentation currency. All financial information presented in Saudi Arabian Riyals has been rounded to the nearest Riyal, unless otherwise mentioned.

2.4 Use of judgements and estimates

In preparing these Condensed Interim Financial Statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual Financial Statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note 2.6.

2.5 Standards, new pronouncements and interpretations:

a) New International Financial Reporting Standards (IFRS), International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

The following new or amended standards adopted during the period which did not have significant impact on the condensed interim financial statements.

- Transfers of Investment Property (Amendments to IAS 40) effective for annual period on or after 1 January 2018.
- Annual Improvements to IFRSs 2014–2016 Cycle – various standards (Amendments to IFRS 1 and IAS 28) effective for annual period on or after 1 January 2018.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration effective for annual period on or after 1 January 2018.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) effective for annual period on or after to be determined.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Uncertainty over Income Tax Treatments (IFRIC 23).

In addition to the above, IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" are applicable from 1 January 2018. Changes to significant accounting policies are described in Note 2.5.

b) Standards, interpretations and amendments to published standards that will be effective for the periods commencing after January 1, 2019 and have not been early adopted by the Company

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's condensed interim financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the period commencing after January 1, 2019.

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2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION
(Continued)

2.5 Standards, new pronouncements and interpretations (Continued):

b) Standards, interpretations and amendments to published standards that will be effective for the periods commencing after January 1, 2019 and have not been early adopted by the Company (Continued)

IFRS 16 – ‘Leases’

The IASB published the new standard on leasing, IFRS 16, on 13 January 2016. The rules and definitions of IFRS -16 will replace:

- IAS 17 - ‘Leases’
- IFRIC 4 - ‘Whether an arrangement contains a lease’
- SIC 15 - ‘Operating leases – Incentives’
- SIC 27 - ‘Evaluating the substance of transactions involving the legal form of a lease’

The standard requires an accounting model for a lessee that recognizes all assets and liabilities from leasing agreements in the balance sheet, unless the term is twelve months or lessor the underlying asset is of low value. As for the lessor, the new standard substantially carries forward the lessor accounting requirement of IAS 17 Leases.

The new standard will be effective for annual periods beginning on or after 1 January 2019, early application is permitted and must be disclosed. The Company will adopt the new standard on the effective date. The Company is currently assessing the impact on the Company’s financial statements.

The IASB issued IFRS 17 in May 2017. IFRS 17 will be mandatorily effective for annual reporting periods beginning on or after 1 January 2021. Once effective, IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2005. The overall objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts among entities issuing insurance contracts globally.

2.6 Accounting policies

Following accounting policies have been applied in preparation of these condensed interim financial statements. These policies have been applied consistently for all period presented.

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Company’s financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Company’s financial statements as at and for the year ending 31 December 2018.

The Company has adopted IFRS 15 Revenue from Contracts with Customers (see A) and IFRS 9 Financial Instruments (see A) from 1 January 2018. A number of other new standards including IFRS 15 are effective from 1 January 2018 but they do not have a material effect on the Company’s financial statements.

A. IFRS – 15 Revenue from contract with customers

The International Accounting Standard Board (IASB) published the new standard on revenue recognition, IFRS 15 “Revenue from contracts with customer” on 28 May 2014. The rules and definitions of IFRS 15 supersede the contents of IAS 11 “Construction Contracts”, IAS 18 “Revenue”, IFRIC 13 “Customer Loyalty Programs”. The revised standard particularly aims to standardize existing regulations and thus improve transparency and the comparability of financial information. The change become effective to the Company from 1 January 2018. The Company has adopted IFRS 15 using the cumulative effect method, with the effect of applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for previous year has not been restated, as previously reported, under IAS 18 and related interpretations.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION
(Continued)

2.6 Accounting policies (Continued)

A. IFRS – 15 Revenue from contract with customers (Continued)

IFRS - 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customer. It establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized when the entity satisfies a performance obligation by transferring promised goods or services to a customer. An asset is transferred when control is transferred that is either over time or at a point in time.

The Company recognises the revenue for finance lease services as per IAS 17. Consequently, there are no material and reportable changes due to its transition to IFRS 15.

B. Financial instruments

On 24 July 2014, the IASB issued the final version of IFRS 9, concluding the multi-year project to replace IAS 39 – Financial Instruments “Recognition and Measurement”. IFRS 9 contains new requirements for the classification and measurement of financial instruments, fundamental changes regarding the accounting treatment of financial assets impairments, and a reformed approach to hedge accounting. The changes became effective to the Company from 1 January 2018. The adoption of IFRS 9 has not had a significant effect on the Company’s accounting policies related to financial liabilities.

Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company applies the classification and measurement requirements for financial instruments under IFRS 9 ‘Financial Instruments’ for the period ended 31 March 2018.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial asset

i. Classification and subsequent measurement

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification depends on the Company’s business model for managing financial assets and the contractual terms of the financial assets cash flows.

The Company classifies its financial assets as those to be measured subsequently at amortized cost if they meet the following criteria:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Finance income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

The Company does not have any financial assets classified under fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6. Accounting policies (continued)

B. Financial instruments (Continued)

Financial asset (Continued)

ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The Company recognizes a loss allowance for expected credit losses ("ECL") for financial assets measured at amortized cost. The ECL is recognized either for lifetime or for 12 months. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations
- Actual or expected significant changes in the operating results of the customer
- Significant increases in credit risk on other financial instruments of the same customer
- Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of customers and changes in the operating results of the customer
- Macroeconomic information (such as market interest rates or growth rates)
- Past due information adjusted for future information

Regardless of the analysis above, a significant increase in credit risk is presumed if a receivable is more than 90 days past due in making a contractual payment, unless the Company has reasonable and supportable information that demonstrates otherwise.

The Company has adopted the simplified approach as allowed by IFRS 9 and measures the loss allowance at an amount equal to lifetime expected credit losses for all finance lease receivables that result from contracts with the customers. The Company determines the expected credit losses on accounts receivable by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the finance lease receivables, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

Objective evidence that financial assets are impaired can include significant financial difficulty, default or delinquency of the counterparty, restructuring of amounts due on terms that the Company would not otherwise consider, indications that a customer will enter bankruptcy, or other observable data relating to customers such as adverse changes in the economic conditions that correlate with defaults by the customers.

The Company considers evidence of impairment at both a specific asset and collective level. All individually significant financial instruments found not to be specifically impaired are then collectively (with similar risk characteristics) assessed for any impairment that has been incurred but not yet identified.

GULF LIFTING FINANCIAL LEASING COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION (Continued)

2.6 Accounting policies (Continued)

B. Financial instruments (Continued)

ii. Impairment of financial assets (Continued)

Impairment losses for a financial instrument are recognized in the income statement and reflected in impairment for credit losses. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

When an asset is uncollectible, it is written-off against the related provision. Such assets are written-off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the provision. The amount of the reversal is recognized in the income statement.

iii. Derecognition

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. A financial liability is derecognized from the statement of financial position when the Company has discharged its obligation or the contract is cancelled or expires.

Financial liabilities

i. Classification and subsequent measurement of financial liabilities

The Company classifies its financial liabilities as those to be measured subsequently at amortized cost using the effective interest method, if they are not:

- contingent consideration of an acquirer in a business combination,
- held-for-trading, or
- designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The Company does not qualify any of its financial liabilities under 'fair value through profit or loss (FVTPL)'.

ii. Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

iii. Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Company has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

The effect of adopting IFRS 9 on the carrying amounts of financial assets and financial liabilities at 1 January 2018 relates solely to the new impairment requirements, as described further below. The following table below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the class of the Company's financial assets as at 1 January 2018.

GULF LIFTING FINANCIAL LEASING COMPANY
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2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION (Continued)

2.6 Accounting policies (Continued)

B. Financial instruments (Continued)

Financial liabilities (Continued)

iii. Offsetting (Continued)

Financial instruments	Original classification under IAS 39	New Classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Finance lease receivable	Loans and Receivables measured at amortized cost	Amortized cost	42,345,788	42,345,788
Advance for investments	Loans and Receivables measured at amortized cost	Amortized cost	892,850	892,850
Cash and bank balances	Loans and Receivables measured at amortized cost	Amortized cost	143,972,147	143,972,147

3. NET INVESTMENT IN FINANCE LEASES

	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Gross investment in finance lease	48,548,311	52,995,131
Less: Unearned lease finance income	(8,414,871)	(9,490,947)
Net investment in finance leases	40,133,440	43,504,184
Provision for lease losses	(1,158,396)	(1,158,396)
	38,975,044	42,345,788
Current maturity	(12,378,891)	(12,408,831)
	26,596,153	29,936,957

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

	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Balance at the beginning of the period / year	1,158,396	211,640
Allowance for the period / year	-	946,756
Reversal during the period / year	-	-
	1,158,396	1,158,396

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3. NET INVESTMENT IN FINANCE LEASES (Continued)

3.2 The age-analysis on the net investment in finance leases:

	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Neither past due nor impaired	39,710,007	42,546,886
Past due 1-30 days	2,418	536,283
Past due 31-90 days	-	-
Past due 91-180 days	-	-
Past due 181-365 days	-	287,250
Over 1 year	421,015	133,765
	40,133,440	43,504,184
Less: Allowance for lease losses	(1,158,396)	(1,158,396)
	38,975,044	42,345,788

4. CASH AND CASH EQUIVALENTS:

	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Cash in hand	16,707	15,000
Bank balances	4,641,096	2,068,333
Short term deposits	137,303,244	141,903,814
	141,961,047	143,987,147

Short term bank deposits are determined in Saudi Riyals and US Dollars with local banks and are made for varying periods from 1 month to 3 month and carry interest rates ranging from 1.15% to 1.65% per annum. (2017: 1% to 1.4%).

5. SHARE CAPITAL

The pattern of shareholding as of 31 March 2018 and 31 December 2017 is as follows:

	Percentage of ownership	Number of Shares	Amount SR
Yusuf Bin Ahmed Kanoo Company Limited	94	9,400,000	94,000,000
Ali Abdulla Kanoo	1	100,000	1,000,000
Ali Abdulaziz Kanoo	1	100,000	1,000,000
Saud Abdulaziz Kanoo	1	100,000	1,000,000
Bader Abdulaziz Kanoo	1	100,000	1,000,000
Faisal Khalid Kanoo	1	100,000	1,000,000
Ahmed Fawzi Kanoo	1	100,000	1,000,000
	100	10,000,000	100,000,000

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6. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholder, directors and key management personal of the Company, and entity controlled or significantly influenced by such parties:

The Company is required to pay remuneration to the members of Board of Directors, under Bye-Laws, for participation in Board of Director's meeting held during the period, all the directors have waived their right to receive the remuneration.

Prices and terms of payment with related approval by management. Amount due from/to related parties are disclosed in the balance sheet.

Due from related parties:

	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Yusuf Bin Ahmed Kanoo Company Limited	2,102,063	-
AXA Cooperative Insurance Company	3,315	-
	2,105,378	-

Due to a related party:

	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Kanoo Travels	4,545	-
Yusuf Bin Ahmed Kanoo Company Limited	-	43,070
	4,545	43,070

Transactions with related party:

Relationship	For the three months ended 31 March 2018 (Unaudited)	For the three months ended 31 March 2017 (Unaudited)
Yusuf Bin Ahmed Kanoo Company Limited		
Expenses paid on behalf of the Company	-	3,332,483
Collections made on behalf of the Company	2,145,133	7,362,169
Kanoo Travel		
Purchase of tickets for staff	4,545	-
AXA Cooperative Insurance Company		
Insurance policy purchased for lease equipment	38,813	-

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6. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Key management personnel compensation comprised of the following transactions:

	For the three months ended 31 March 2018 (Unaudited)	For the three months ended 31 March 2017 (Unaudited)
<u>Transactions:</u>		
Compensation of key management executives	295,000	-
Audit committee remuneration	123,010	-

7. ZAKAT

Significant components of Zakat base of the Company principally comprise of shareholders' equity at the beginning of the period, adjusted net income and certain other items.

Provision for Zakat has been made at 2.5% of approximate Zakat base attributable to the Saudi shareholders of the Company.

8. CONTINGENCIES AND COMMITMENT

The Company has no commitments and contingent liabilities as at 31 March 2018 (2017: Nil).

9. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved on 9 Shaaban 1439H corresponding to 25 April 2018.