

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE MONTHS PERIOD ENDED
31 MARCH 2020

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020

INDEX	PAGE
Independent auditor's report on review of condensed interim financial statements	-
Condensed statement of financial position	1
Condensed statement of profit or loss and other comprehensive income	2
Condensed statement of changes in shareholders' equity	3
Condensed statement of cash flows	4
Notes to the condensed interim financial statements	5 – 14



KPMG Al Fozan & Partners
Certified Public Accountants
1st Floor, Battoyor Tower
King Saud Road, Al Safa
P.O. Box 4803
Al Khobar, 31952
Kingdom of Saudi Arabia

Telephone +966 13 816 2999
Fax +966 13 816 2888
Internet www.kpmg.com/sa

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

Independent auditor's report on review of condensed interim financial statements

To the Shareholders of Gulf Lifting Financial Leasing Company

Introduction

We have reviewed the accompanying 31 March 2020 condensed interim financial statements of Gulf Lifting Financial Leasing Company ("the Company"), which comprises:

- the condensed statement of financial position as at 31 March 2020;
- the condensed statements of profit or loss and other comprehensive income for the three-months period ended 31 March 2020;
- the condensed statement of changes in shareholders' equity for the three-months period ended 31 March 2020;
- the condensed statement of cash flows for the three-months period ended 31 March 2020; 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 IAS 34, 'Interim Financial Reporting' as endorsed in Kingdom of Saudi Arabia. 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.



Independent auditor's report on review of condensed interim financial statements

To the Shareholders of Gulf Lifting Financial Leasing Company (Continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2020 condensed interim financial statements of Gulf Lifting Financial Leasing Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as endorsed in Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdulaziz Abdullah Alnaim
License No: 394

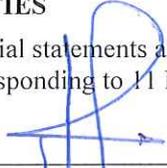


Al Khobar, 19 Ramadan 1441H
Corresponding to: 12 May 2020G

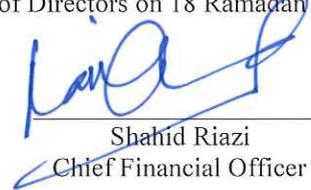
GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020
(Expressed in Saudi Riyals)

	Note	31 March 2020 (Unaudited)	31 December 2019 (Audited)
ASSETS			
Non-current assets			
Net investment in finance leases	3	47,976,436	56,560,352
Investment		892,850	892,850
Intangible assets	4	765,377	790,804
Property and equipment		273,003	253,430
Total non-current assets		49,907,666	58,497,436
Current assets			
Current portion of net investment in finance leases	3	37,823,492	35,247,500
Prepayments and other receivables	5	1,913,752	3,848,110
Cash and cash equivalents	6	101,692,768	94,273,112
Total current assets		141,430,012	133,368,722
TOTAL ASSETS		191,337,678	191,866,158
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	8	100,000,000	100,000,000
Additional equity contribution		90,644,283	90,644,283
Accumulated losses		(4,542,930)	(2,087,491)
TOTAL SHAREHOLDERS' EQUITY		186,101,353	188,556,792
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits		198,156	166,848
Total non-current liabilities		198,156	166,848
Current liabilities			
Trade payables		9,171	577,563
Accrued expenses and other liabilities		354,182	373,888
Provision for Zakat	9	914,542	900,560
Due to related parties	7	164,507	174,498
Advance from customers		3,595,767	1,116,009
Total current liabilities		5,038,169	3,142,518
TOTAL LIABILITIES		5,236,325	3,309,366
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		191,337,678	191,866,158

These financial statements appearing on pages 1 to 14 were approved by the Board of Directors on 18 Ramadan 1441H corresponding to 11 May 2020G and have been signed on their behalf by:


Ali Abdullah Kahoo
Director


Salah Al Majthoob
Chief Executive Officer


Shahid Riazi
Chief Financial Officer

The accompanying notes from 1 to 13 appearing on pages 5 to 14 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 2020
(Expressed in Saudi Riyals)

	Note	For the three months period ended 31 March 2020 (Unaudited)	For the three months period ended 31 March 2019 (Unaudited) (Restated)
INCOME			
Income from operations			
Finance lease income		2,341,714	1,819,302
Income from other activities			
Other income		370,413	726,760
Total income		<u>2,712,127</u>	<u>2,546,062</u>
EXPENSES			
Salaries and related expenses		(1,106,884)	(791,369)
Legal and professional charges		(203,783)	(154,127)
Rent and related expenses		(107,730)	(79,791)
Depreciation		(39,938)	(39,747)
Amortization		(25,427)	(91,817)
Provision for investment in finance leases		(3,336,942)	-
Other general and administrative expenses		(76,877)	(272,032)
Insurance expense		(256,003)	(79,712)
Total expenses		<u>(5,153,584)</u>	<u>(1,508,595)</u>
(Loss) / profit before Zakat		<u>(2,441,457)</u>	<u>1,037,467</u>
Zakat expense	9	(13,982)	2,821,646
(Loss) / profit for the period		<u>(2,455,439)</u>	<u>3,859,113</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Re-measurement gain on defined benefit plans		-	-
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>(2,455,439)</u>	<u>3,859,113</u>
(Loss) / earnings per share – basic and diluted		<u>(0.25)</u>	<u>0.38</u>

The accompanying notes from 1 to 13 appearing on pages 5 to 14 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 2020
(Expressed in Saudi Riyals)

	Share capital	Additional equity contribution	Accumulated losses	Total
Balance at 1 January 2019	100,000,000	90,644,283	(7,890,119)	182,754,164
Profit for the period	-	-	3,859,113	3,859,113
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	3,859,113	3,859,113
Balance at 31 March 2019	100,000,000	90,644,283	(4,031,006)	186,613,277
Balance at 1 January 2020	100,000,000	90,644,283	(2,087,491)	188,556,792
Loss for the period	-	-	(2,455,439)	(2,455,439)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(2,455,439)	(2,455,439)
Balance at 31 March 2020	100,000,000	90,644,283	(4,542,930)	186,101,353

The accompanying notes from 1 to 13 appearing on pages 5 to 14 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 2020
(Expressed in Saudi Riyals)

	Note	For the three months ended 31 March 2020 (Unaudited)	For three months ended 31 March 2019 (Unaudited)
Cash flows from operating activities			
(Loss) / profit before Zakat		(2,441,457)	1,037,467
<i>Adjustments for:</i>			
- Provision for investment in finance leases		3,336,942	-
- Depreciation		39,938	39,747
- Amortization		25,427	91,817
- Employees' end of service benefits		31,308	26,789
		<u>992,158</u>	<u>1,195,820</u>
<i>Changes in:</i>			
- Net investment in finance lease		2,670,982	(17,654,716)
- Due from a related party		-	(428,384)
- Prepayments and other receivables		1,934,358	(467,730)
- Due to related parties		(9,991)	(51,181)
- Trade payables		(568,392)	(40,988)
- Advance from customers		2,479,758	115,890
- Accrued expenses and other liabilities		(19,706)	(65,764)
Net cash from / (used) in operating activities		<u>7,479,167</u>	<u>(17,397,053)</u>
Cash flows from investing activities			
Acquisition of property and equipment		(59,511)	-
Net cash used in investing activities		<u>(59,511)</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents		7,419,656	(17,397,053)
Cash and cash equivalents at beginning of the period		94,273,112	131,237,316
Cash and cash equivalent at end of the period	6	<u>101,692,768</u>	<u>113,840,263</u>

The accompanying notes from 1 to 13 appearing on pages 5 to 14 form an integral part of these condensed interim financial statements.

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(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 1996G and operating under company license number 47/A Sh/201708 dated 14 Dhul Qa’dah 1438H corresponding to 6 August 2017G issued by Saudi Arabian Monetary Authority (“SAMA”).

The Company is engaged in the finance leasing business. The Company is effectively a wholly owned subsidiary of 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 Authority (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 2016G. 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.

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

On 11 March 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic. For the Company, whose operations are largely concentrated in an economy which is primarily based on oil, the economic impacts of the above events, though the scale and duration of which remains uncertain, primarily include:

- Significant business interruption arising from hinderance in generating new originations, travel restrictions and unavailability of personnel etc.;
- Deterioration in credit worthiness of customers in particular to those working or involved in ‘highly exposed sectors’ such as transportation, tourism, hospitality, entertainment, construction and retail; and
- A significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates, and a general decline in interest rates globally.

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in Saudi Riyals)

1. CORPORATE INFORMATION (Continued)

Collectively, these current events and the prevailing conditions require the Company to analyze the likely impact of these events on the business operations. The Board of Directors and the management of the Company have evaluated the current situation and accordingly, have activated its business continuity planning and other risk management practices to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

The pandemic has also required the Company to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These primarily revolved around adjusting macroeconomic factors such as expected oil prices and GDP and revaluating the methods of scenario construction and the underlying weightages assigned to these scenarios to estimate the likelihood and severity of these for the ECL determination. As a result, the Company has provided an additional amount of SR 3.3 million as an impairment loss. Further, the Company will continue to individually assess significant corporate exposures as more reliable data becomes available and accordingly determine if any additional ECL amounts need to be recognized. (Refer Note 3).

SAMA programs and initiatives launched

In response to COVID-19, SAMA launched the *Private Sector Financing Support Program* ("PSFSP") in March 2020 to provide the necessary support to the SME sector through empowering and facilitating the financing community. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

As part of the deferred payments program, the Company is required to defer payments for six months on lease contracts to those customers that qualify as SMEs. The payment reliefs are considered as short-term liquidity support to address the borrower's potential cash flow issues. The Company has effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 14 September 2020 for a period of six months without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and is treated as per the requirements of IFRS 9 as modification in terms of arrangement. Management is in the process of finalizing contracts that are eligible for modification and expect no material adjustment for period from 14 March 2020 till 31 March 2020. In the absence of other factors, participation in the PSFSP is not considered a significant increase in credit risk.

As at 31 March 2020, the Company has not participated in SAMA's funding for lending and loan guarantee programs.

During April 2020, SAMA has issued further guidance around additional COVID-19 support measures for MSMEs that the Company will need to undertake relating to deferred payments program. The Company will consider the guidance issued and evaluate the accounting impact in second quarter ending 30 June 2020.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

2.1 Statement of compliance

The condensed interim financial statements of the Company as at and for the period ended 31 March 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in Saudi Riyals)

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

2.1 Statement of compliance (continued)

The financial statements of the Company as at and for the period ended 31 March 2019 were prepared in compliance with the IAS 34 and the International Financial Reporting Standards (“IFRS”) respectively, as modified by SAMA for the accounting of Zakat and income tax (relating to the application of IAS 12 – “Income Taxes” and IFRIC 21 – “Levies” so far as these relate to Zakat and income tax) and the Regulations for Companies in the Kingdom of Saudi Arabia.

On 17 July 2019, SAMA instructed financing institutions in the Kingdom of Saudi Arabia to account for the Zakat and income taxes in the statement of profit or loss and other comprehensive income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board (“IASB”) and as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

Accordingly, the Company changed its accounting treatment for Zakat by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors and the effects of this change are disclosed in Note 2.6 (A) to the condensed interim financial statements.

2.2 Basis of preparation

These condensed interim financial statements have been prepared on a historical cost basis, using going concern assumption, except for investment which is measured at fair value and employees’ end of service benefits which is measured at projected unit credit method.

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 condensed interim financial statements are presented in Saudi Riyals (SR) which is the Company’s functional and presentation currency. All financial information presented in Saudi Riyals has been rounded to the nearest Riyal, unless otherwise stated.

2.4 Significant accounting judgments, estimates and assumptions

In preparing these condensed interim financial statements, the significant judgments made by the management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2019, except for the estimates described below:

Measurement of the expected credit loss allowance:

As explained in Note 1, Management has proactively assessed the potential impact of the COVID-19 pandemic in the market in which the Company operates. As a result, the Management of the Company have revised certain estimates related to provision for expected credit losses and an additional amount of SR 3.3 million was recognized as an expense in statement of profit or loss and other comprehensive income. (Refer Note 3).

However, in view of the current uncertainty as explained in note 1, any future change in the assumptions and key estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in Saudi Riyals)

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

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.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of Material (Amendments to IAS 1 and IAS 8).
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

b) Standards, interpretations and amendments to published standards that will be effective for the annual periods commencing after 1 January 2021 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 1 April 2020.

- IFRS 17 Insurance Contracts
- Definition of Business (Amendments to IFRS 3).
- Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28).
- IFRS 14 – Regulatory deferral accounts.
- Classification of liabilities as current or non-current (Amendments to IAS 1).

2.6 Accounting policies

The accounting policies used in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2019.

As mentioned in Note 2.1, the statement of compliance has been changed for the interim period ended 31 March 2019 based on the issuance of latest instructions from SAMA for Zakat and income tax accounting treatment. Refer to section A below for details.

A number of other new standards and interpretations as mentioned in note 2.5 (a) are effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

A. Zakat

As a result of the issuance of instructions from SAMA dated 17 July 2019, Zakat and income tax charge to be recognized and disclosed in the statement of profit or loss and other comprehensive income. Previously, Zakat and income tax were recognized in the statement of changes in shareholders' equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, the Zakat and income tax shall be recognized in the statement of profit or loss and other comprehensive income. The Company has accounted for this change in the accounting for Zakat retrospectively.

The effect of the above change has resulted in increase of reported income of the Company for the three-months period ended 31 March 2019 by SR 2.8 million. Had there been no change in the accounting policy the income for the three months period ended 31 March 2019 would have been lower by SR 2.8 million. This change does not have any impact on statement of financial position, statement of cash flows and shareholders' equity of the Company, therefore no third column of financial position is presented as at the beginning of the preceding period in the statement of financial position.

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in Saudi Riyals)

3. NET INVESTMENT IN FINANCE LEASES

	31 March 2019 (Unaudited)	31 December 2019 (Audited)
Gross investment in finance lease	107,958,403	112,145,550
Less: Unearned lease finance income	<u>(16,549,635)</u>	<u>(18,065,800)</u>
Net investment in finance leases	91,408,768	94,079,750
Provision for lease losses	<u>(5,608,840)</u>	<u>(2,271,898)</u>
	85,799,928	91,807,852
Current maturity	<u>(37,823,492)</u>	<u>(35,247,500)</u>
	<u>47,976,436</u>	<u>56,560,352</u>

As at 31 March 2020, net investments in finance leases includes receivable from two delinquent customers amounting to SR 15,354,339. The Company initiated legal proceedings for recovering these receivables. These receivables are secured by way of promissory notes and the title deeds of underlying leased assets are also in the name of the Company. Further, the Company legal advisors are confident that the cases will be settled in favour of the Company.

Management by taking into account all facts and circumstances has assessed that the likelihood of succeeding the legal proceedings are reasonably high, therefore, current provision is sufficient to absorb any foreseeable losses on such receivables.

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

	31 March 2019 (Unaudited)	31 December 2019 (Audited)
Balance at the beginning of the period / year	2,271,898	1,464,909
Allowance for the period	<u>3,336,942</u>	<u>806,989</u>
	<u>5,608,840</u>	<u>2,271,898</u>

3.2 The maturity of the gross investment in finance leases as at 31 March 2020 is as follows:

	Gross investment in finance leases (Unaudited)	Unearned lease finance income (Unaudited)	Net investment in finance leases (Unaudited)
Not later than one year	46,563,697	8,740,205	37,823,492
One to two years	35,275,528	5,255,124	30,020,404
Two to three years	18,277,598	2,049,328	16,228,270
Three to four years	6,036,935	454,041	5,582,894
Four to five years	1,804,645	50,937	1,753,708
	<u>107,958,403</u>	<u>16,549,635</u>	<u>91,408,768</u>

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in Saudi Riyals)

3. **NET INVESTMENT IN FINANCE LEASES (Continued)**

The maturity of the gross investment in finance leases as at 31 December 2019 is as follows:

	Gross investment in finance leases (Audited)	Unearned lease finance income (Audited)	Net investment in finance leases (Audited)
Not later than one year	44,388,359	9,140,859	35,247,500
One to two years	37,657,510	5,827,779	31,829,731
Two to three years	20,483,835	2,491,868	17,991,967
Three to four years	6,901,281	552,912	6,348,369
Four to five years	2,714,565	52,382	2,662,183
	<u>112,145,550</u>	<u>18,065,800</u>	<u>94,079,750</u>

4. **INTANGIBLE ASSETS**

Intangible asset represents licenses for computer software. There is no addition in intangible assets during three months ended 31 March 2020 period (three months ended 31 March 2019: Nil). Amortization charge for the period amounted to SR 25,427 (three months ended 31 March 2019: 91,817).

5. **PREPAYMENTS AND OTHER RECEIVABLES**

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Prepaid expenses	1,404,256	584,010
Accrued interest on short term deposits	175,897	221,448
VAT receivable	147,323	74,376
Advance to suppliers	140,626	2,925,626
Others	45,650	42,650
	<u>1,913,752</u>	<u>3,848,110</u>

6. **CASH AND CASH EQUIVALENTS:**

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Cash in hand	501	1,418
Bank balances	5,408,142	1,894,590
Short term deposits	96,284,125	92,377,104
	<u>101,692,768</u>	<u>94,273,112</u>

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 0.6% to 1.7% per annum. (31 December 2019: 1.4% to 2.9%).

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in Saudi Riyals)

7. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders, 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 Directors' meeting held during the period, all the directors have waived their right to receive the remuneration related to attending Board meetings.

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

Transactions with related parties mainly include collections on behalf of the Company, certain expenses and services which are undertaken at mutually agreed terms and conditions. These transactions are approved by management of the following entities and Board of Directors of the Company.

Transactions with related parties:

		For the three months ended 31 March 2020 (Unaudited)	For the three months ended 31 March 2019 (Unaudited)
	Relationship		
Yusuf Bin Ahmed Kanoo Company Limited Collections made on behalf of the Company	Shareholder	-	1,752,475
AXA Cooperative Insurance Company Services received for insurance	Other related party	949,433	314,892
Kanoo Travel Services received for travel expenses	Other related party	3,271	3,509

Key management personnel compensation comprised of the following transactions:

	For the three months ended 31 March 2020 (Unaudited)	For the three months ended 31 March 2019 (Unaudited)
<u>Transactions:</u> Compensation of key management executives	241,548	77,590
Audit committee remuneration	52,844	51,400

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in Saudi Riyals)

7. **RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

The above mentioned significant transactions with related parties resulted in the following balances:

Due to related parties:

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Yusuf Bin Ahmed Kanoo Company Limited	118,819	118,819
AXA Cooperative Insurance Company	-	13,262
Kanoo Travels	45,688	42,417
	<u>164,507</u>	<u>174,498</u>

8. **SHARE CAPITAL**

The pattern of shareholding as of 31 March 2020 and 31 December 2019 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
	<u>100</u>	<u>10,000,000</u>	<u>100,000,000</u>

9. **ZAKAT**

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the statement of profit or loss and other comprehensive income.

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.

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Zakat charge for the period	13,982	299,730
Zakat refund	-	(3,121,376)
	<u>13,982</u>	<u>(2,821,646)</u>

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

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in Saudi Riyals)

9. **ZAKAT (Continued)**

a) *Zakat assessment status*

The GAZT has issued a Zakat assessment for the year 2016 through a letter dated 11 March 2019 (ref: 026000039227) with an additional liability of Zakat amounted to SR 1,607,005. The Company has filed an objection letter against the GAZT's assessment for the year 2016 on 8 May 2019 and received a rejection letter on 16 September 2019. Pursuant to the receipt of the rejection the Company has filed an appeal against the rejection to the General Secretariat of Tax Committees on 14 October 2019. The Company has assessed their position and as per the assessment it is highly likely that the case will be in favor of the Company.

b) *Zakat refund*

During the three-months period ended 31 March 2019, pursuant to the issuance of Royal Decree (M/26) dated 20 Rabi Al-Awwal 1440H and the letter issued by GAZT dated 5 February 2019 (Ref: 1440/1/747) the Company is entitled to Zakat refund amounted to SR 3,121,376. As result of the acknowledgment by the management on 3 March 2019 GAZT has issued credit in favor of the Company.

Impact of change in accounting treatment for Zakat:

The change in the accounting treatment for Zakat as explained in note 2.6 (A) has the following impact on the line item of the statement of profit or loss and other comprehensive income, there is no impact on statement of financial position, statement of changes in equity and statement of cash flows:

For the three-months period ended 31 March 2019:

Financial statement caption	As previously reported	Effect of restatement	As restated
Zakat refund, net	-	(2,821,646)	(2,821,646)

10. **FINANCIAL INSTRUMENTS**

The Company's principal financial assets include cash and cash equivalents, finance lease receivable and certain other receivables and equity investment. The Company's principal financial liabilities comprise trade payables, other payables and due to related parties. The main purpose of these financial liabilities is to finance the Company's operations.

Fair value hierarchy

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.

All financial assets and financial liabilities are measured at amortized cost except for equity investment which is classified under FVOCI. As at reporting date, the fair values of all financial assets and financial liabilities measured at amortized cost approximate their carrying values.

11. **CONTINGENCIES AND COMMITMENTS**

The Company has no commitments and contingent liabilities as at 31 March 2020 (31 December 2019: Nil).

12. **POST BALANCE SHEET EVENTS**

In order to offset the modification loss that the Company is expected to incur in deferring the payments, the Company has received SR 32.25 million of interest free deposit from SAMA with a maturity of 3 years. The amount is received on 5 April 2020, subsequent to the current reporting period.

The amount so received from SAMA, is considered to be a non-adjusting event and will be accounted for in second Quarter ending 30 June 2020.

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in Saudi Riyals)

12. **POST BALANCE SHEET EVENTS (Continued)**

The Company for the quarter ending 30 June 2020, will recognize a government grant related to income, if there is a reasonable assurance that it will be received, and the Company will comply with the conditions associated with the grant. The benefit of a government loan at an interest free rate will be treated as a government grant related to income.

The interest free loan will be recognized and measured in accordance with IFRS 9 - Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20 – Government Grant. Government grant will be recognized in statement of income on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants is intended to compensate.

The amount of government grant to be recognized in the financial statements of second quarter ending 30 June 2020 amounts to SR 2.36 million.

Except for the event mentioned in aforementioned paragraphs, there have been no events subsequent to the reporting date that would significantly affect the amounts reported in the condensed interim financial statements as at and for the three months period ended 31 March 2020.

13. **APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

These condensed interim financial statements were approved on 18 Ramadan 1441H corresponding to 11 May 2020G.