

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE AND NINE MONTHS PERIOD
ENDED 30 SEPTEMBER 2020

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

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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 30 September 2020 condensed interim financial statements of Gulf Lifting Financial Leasing Company ("the Company"), which comprises:

- the condensed statement of financial position as at 30 September 2020;
- the condensed statements of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2020;
- the condensed statement of changes in shareholders' equity for the nine-month period ended 30 September 2020;
- the condensed statement of cash flows for the nine-month period ended 30 September 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 30 September 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, 10 Rabi ul Awal 1442H
Corresponding to: 27 October 2020G

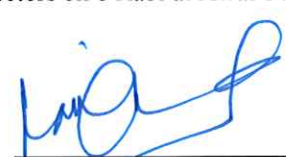
GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020
(Expressed in Saudi Riyals)

| | Note | 30 September 2020 (Unaudited) | 31 December 2019 (Audited) |
|---|-------------|--|---------------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Net investment in finance leases | 3 | 59,186,282 | 56,560,352 |
| Investment | | 892,850 | 892,850 |
| Intangible assets | 4 | 713,675 | 790,804 |
| Property and equipment | | 332,756 | 253,430 |
| Total non-current assets | | 61,125,563 | 58,497,436 |
| Current assets | | | |
| Current portion of net investment in finance leases | 3 | 32,203,362 | 35,247,500 |
| Prepayments and other receivables | 5 | 10,270,472 | 3,848,110 |
| Cash and cash equivalents | 6 | 115,616,722 | 94,273,112 |
| Total current assets | | 158,090,556 | 133,368,722 |
| TOTAL ASSETS | | 219,216,119 | 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 | | (5,951,757) | (2,087,491) |
| TOTAL SHAREHOLDERS' EQUITY | | 184,692,526 | 188,556,792 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Employees' end of service benefits | | 217,962 | 166,848 |
| Deposits from Saudi Arabian Monetary Authority (SAMA) | 1 | 17,680,889 | - |
| Total non-current liabilities | | 17,898,851 | 166,848 |
| Current liabilities | | | |
| Trade payables | | 85,120 | 577,563 |
| Accrued expenses and other liabilities | | 497,131 | 373,888 |
| Provision for Zakat | 9 | 945,657 | 900,560 |
| Due to related parties | 7 | 166,905 | 174,498 |
| Deposits from SAMA | 1 | 10,906,866 | - |
| Advance from customers | | 4,023,063 | 1,116,009 |
| Total current liabilities | | 16,624,742 | 3,142,518 |
| TOTAL LIABILITIES | | 34,523,593 | 3,309,366 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 219,216,119 | 191,866,158 |

These financial statements appearing on pages 1 to 14 were approved by the Board of Directors on 8 Rabi ul Awal 1442H corresponding to 25 October 2020G and have been signed on their behalf by:


 Ali Abdullah Kanoo
 Director


 Salah Al Majthoob
 Chief Executive Officer


 Shahid Riaz
 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 AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Expressed in Saudi Riyals)

| | For the three months period ended 30 September 2020 (Unaudited) | For the three months period ended 30 September 2019 (Unaudited) | For the nine months period ended 30 September 2020 (Unaudited) | For the nine months period ended 30 September 2019 (Unaudited) |
|--|--|--|---|---|
| INCOME | | | | |
| Income from operations | | | | |
| Finance lease income | 2,286,106 | 1,821,915 | 6,852,136 | 5,688,426 |
| Income from other activities | | | | |
| Other income | 1,033,987 | 615,004 | 1,628,863 | 2,017,562 |
| Total income | 3,320,093 | 2,436,919 | 8,480,999 | 7,705,988 |
| EXPENSES | | | | |
| Loss on account of participation to SAMA deferred payment program – (Note 1) | (2,766,214) | - | (2,795,261) | - |
| Salaries and related expenses | (1,388,662) | (923,823) | (3,787,296) | (2,586,165) |
| Legal and professional charges | (386,115) | (126,944) | (832,030) | (501,151) |
| Rent and related expenses | (123,824) | (103,436) | (355,130) | (244,316) |
| Depreciation | (49,113) | (40,868) | (133,763) | (120,807) |
| Amortization | (25,992) | (22,810) | (77,129) | (159,466) |
| Impairment of finance lease receivable - (Note 3) | - | (300,000) | (3,336,942) | (300,000) |
| Other general and administrative expenses | (87,365) | (287,359) | (239,027) | (693,003) |
| Insurance expense | (242,057) | (210,068) | (743,590) | (408,205) |
| Total expenses | (5,069,342) | (2,015,308) | (12,300,168) | (5,013,113) |
| (Loss) / profit before Zakat | (1,749,249) | 421,611 | (3,819,169) | 2,692,875 |
| Zakat expense (Note 9) | - | (154,522) | (45,097) | 2,439,998 |
| (Loss) / profit for the period | (1,749,249) | 267,089 | (3,864,266) | 5,132,873 |
| 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 (loss) / income for the period | (1,749,249) | 267,089 | (3,864,266) | 5,132,873 |
| (Loss) / earnings per share – basic and diluted | (0.17) | 0.03 | (0.39) | 0.51 |

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 AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 | - | - | 5,132,873 | 5,132,873 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the period | - | - | 5,132,873 | 5,132,873 |
| Balance at 30 September 2019 | 100,000,000 | 90,644,283 | (2,757,246) | 187,887,037 |
| Balance at 1 January 2020 | 100,000,000 | 90,644,283 | (2,087,491) | 188,556,792 |
| Loss for the period | - | - | (3,864,266) | (3,864,266) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss for the period | - | - | (3,864,266) | (3,864,266) |
| Balance at 30 September 2020 | 100,000,000 | 90,644,283 | (5,951,757) | 184,692,526 |

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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020
(Expressed in Saudi Riyals)

| | | For the nine months period ended 30 September 2020 (Unaudited) | For the nine months period ended 30 September 2019 (Unaudited) |
|---|------|---|---|
| | Note | | |
| Cash flows from operating activities | | | |
| (Loss) / profit before Zakat | | (3,819,169) | 2,692,875 |
| <i>Adjustments for:</i> | | | |
| - Impairment of finance lease receivable | 3 | 3,336,942 | 300,000 |
| - Depreciation | | 133,763 | 120,807 |
| - Amortization | 4 | 77,129 | 159,466 |
| - SAMA deposits – fair value adjustments, net | | (1,702,853) | - |
| - Employees' end of service benefits | | 117,696 | 49,280 |
| | | (1,856,492) | 3,322,428 |
| <i>Changes in:</i> | | | |
| - Net investment in finance lease | | (2,918,734) | (33,747,675) |
| - Prepayments and other receivables | | 516,728 | (1,345,677) |
| - Due to related parties | | (7,593) | 84,462 |
| - Trade payables | | (492,443) | (141,892) |
| - Advance from customers | | 2,907,054 | 79,763 |
| - Accrued expenses and other liabilities | | 123,243 | (368,748) |
| | | (1,728,237) | (32,117,339) |
| Zakat paid | 9 | - | (7,350) |
| Employees' end of service benefits paid | | (66,582) | |
| Net cash used in operating activities | | (1,794,819) | (32,124,689) |
| Cash flows from investing activities | | | |
| Acquisition of property and equipment | | (213,089) | (2,600) |
| Acquisition of intangibles | | - | (881,250) |
| Net cash used in investing activities | | (213,089) | (883,850) |
| Cash flows from financing activities | | | |
| Deposits from SAMA | | 32,250,000 | - |
| Repayment of deposits to SAMA | | (8,898,482) | - |
| | | 23,351,518 | - |
| Net increase / (decrease) in cash and cash equivalents | | 21,343,610 | (33,008,539) |
| 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 | 115,616,722 | 98,228,777 |

SUPPLEMENTARY INFORMATION

Non-cash transactions:

| | | | |
|------------------------------|---|-----------|---|
| Deposit receivable from SAMA | 5 | 6,939,090 | - |
|------------------------------|---|-----------|---|

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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 Arabian 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
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(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. Initially, 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. The accounting impact of these changes in terms of the credit facilities has been assessed as per the requirements of IFRS 9 as modification in terms of arrangement. The impact due to change in modification for eligible lease contracts will have an additional expense of SR 2.34 million recognised in the statement of profit and loss. During the third quarter ended 30 September 2020, the Company is required to defer payments for additional three months from 15 September 2020 to 14 December 2020. This has resulted in an additional recognition of Day 1 modification loss amounting to SR 2.16 million during the three-month period ended 30 September 2020.

Further, in order to compensate all the related costs that the Company is expected to incur under the SAMA and other public authorities program, the Company has received a profit free deposit of SR 32.25 million from SAMA in April 2020. Out of the aforementioned profit free deposit, the Company has refunded SR 8.90 million to SAMA in August 2020. In response to participation of additional three months deferred payment program, the Company expected to receive SR 6.94 million from SAMA as profit free deposit and accounted related receivables as per the government grant accounting requirements (Refer Note 5). The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in recognition of income amounting to SR 2.76 million, (SR 2.51 million for an initial deposit of SR 32.25 million and SR 0.25 million for the subsequent deposit of SR 6.94 million respectively). The same has been recognised in the interim condensed statement of profit or loss for the nine months period ended 30 September 2020. The management has exercised certain judgements in the recognition and measurement of this grant income.

On a net basis, the Company has incurred a notional loss of SR 2.79 million (30 September 2019: SR nil), related to SAMA deferred payment program. Had the Company not entered in the SAMA deferred payment program, the loss of the Company would have reduced by the same amount.

GULF LIFTING FINANCIAL LEASING COMPANY
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(Expressed in Saudi Riyals)

1. CORPORATE INFORMATION (Continued)

During April 2020, SAMA issued a guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures. The Company has considered the guidance issued and evaluated the accounting impact in period ended 30 September 2020 accordingly.

As at 30 September 2020, the Company has not participated in SAMA's funding for lending, loan guarantee and POS and e-commerce service fee support programs.

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 30 September 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").

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
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(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 January 2021.

- 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.

A number of other new standards and interpretations as mentioned in note 2.5 (a) are effective from 1 January 2020 but they do not have a material effect on the Company's financial statements.

A. Government grant

The Company recognises 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 deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognised 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 fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. The government grant is recognised in the interim condensed statement of income on a systematic basis over the period in which the Company recognises as expenses the related costs for which the grant is intended to compensate.

GULF LIFTING FINANCIAL LEASING COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020
(Expressed in Saudi Riyals)

3. NET INVESTMENT IN FINANCE LEASES

| | 30 September 2020 (Unaudited) | 31 December 2019 (Audited) |
|---|--|---|
| Gross investment in finance lease | 116,458,604 | 112,145,550 |
| Less: Unearned lease finance income | (19,460,120) | (18,065,800) |
| Net investment in finance leases | 96,998,484 | 94,079,750 |
| Impairment of finance lease receivable | (5,608,840) | (2,271,898) |
| | 91,389,644 | 91,807,852 |
| Current maturity | (32,203,362) | (35,247,500) |
| | 59,186,282 | 56,560,352 |

As at 30 September 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 impairment of finance lease receivable was as follows:

| | 30 September 2020 (Unaudited) | 31 December 2019 (Audited) |
|---|--|---|
| Balance at the beginning of the period / year | 2,271,898 | 1,464,909 |
| Allowance for the period | 3,336,942 | 806,989 |
| | 5,608,840 | 2,271,898 |

3.2 The maturity of the gross investment in finance leases as at 30 September 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 | 41,978,211 | 9,774,849 | 32,203,362 |
| One to two years | 39,737,473 | 6,092,495 | 33,644,978 |
| Two to three years | 22,052,174 | 2,660,593 | 19,391,581 |
| Three to four years | 8,542,768 | 764,828 | 7,777,940 |
| Four to five years | 4,147,978 | 167,355 | 3,980,623 |
| | 116,458,604 | 19,460,120 | 96,998,484 |

GULF LIFTING FINANCIAL LEASING COMPANY
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(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. As at 30 September 2020 intangible assets net of amortization amounts to SR 713,675 (as at 31 December 2019: SR 790,804). There is no addition in intangible assets for the nine months period ended 30 September 2020 (nine months period ended 30 September 2019: SR 881,250). Amortization charge for the nine months period ended 30 September 2020 amounted to SR 77,129 (nine months period ended 30 September 2019: SR 159,466).

5. PREPAYMENTS AND OTHER RECEIVABLES

| | 30 September 2020 (Unaudited) | 31 December 2019 (Audited) |
|---|----------------------------------|-------------------------------|
| Prepaid expenses | 914,188 | 584,010 |
| Accrued interest on short term deposits | 46,143 | 221,448 |
| VAT receivable | 880,482 | 74,376 |
| Advance to suppliers | 1,450,919 | 2,925,626 |
| Deposit receivable from SAMA (Refer Note 1) | 6,939,090 | - |
| Others | 39,650 | 42,650 |
| | <u>10,270,472</u> | <u>3,848,110</u> |

6. CASH AND CASH EQUIVALENTS:

| | 30 September 2020 (Unaudited) | 31 December 2019 (Audited) |
|---------------------|----------------------------------|-------------------------------|
| Cash in hand | 180 | 1,418 |
| Bank balances | 5,507,803 | 1,894,590 |
| Short term deposits | 110,108,739 | 92,377,104 |
| | <u>115,616,722</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 0.13% to 1.65% per annum. (31 December 2019: 1.4% to 2.9%).

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7. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent shareholders, directors and key management personal of the Company, and entities 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' meetings. Until 31 December 2019, the Board of Directors have waived their right to receive the remuneration related to attending the Board meetings. Considering the time for waiver has lapsed, the Company plan to obtain updated waiver from relevant related parties. However, if these costs are not waived, the Company will accrue the same in annual financial statements, as at and for the year ending 31 December 2020.

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:

| | Relationship | For the nine months period ended 30 September 2020 (Unaudited) | For the nine months period ended 30 September 2019 (Unaudited) | For the year ended 31 December 2019 (Audited) |
|--|---------------------|---|---|--|
| Yusuf Bin Ahmed Kanoo Company Limited | Shareholder | | | |
| Collections made on behalf of the Company | | - | 2,288,758 | 2,288,758 |
| Expenses paid on behalf of the Company | | - | - | 10,919 |
| AXA Cooperative Insurance Company | Other related party | | | |
| Services received for insurance | | 951,831 | 956,258 | 791,889 |
| Kanoo Travel | Other related party | | | |
| Services received for travel expenses | | 5,473 | 30,111 | 41,309 |

Key management personnel compensation comprised of the following transactions:

| | For the nine months period ended 30 September 2020 (Unaudited) | For the nine months period ended 30 September 2019 (Unaudited) | For the year ended 31 December 2019 (Audited) |
|---|---|---|--|
| <u>Transactions:</u> | | | |
| Compensation of key management executives | 1,243,503 | 333,660 | 564,155 |
| Audit committee remuneration | 154,844 | 158,862 | 210,994 |

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7. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

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

Due to related parties:

| | 30 September 2020 (Unaudited) | 31 December 2019 (Audited) |
|---------------------------------------|--|---------------------------------------|
| Yusuf Bin Ahmed Kanoo Company Limited | 118,819 | 118,819 |
| AXA Cooperative Insurance Company | 2,398 | 13,262 |
| Kanoo Travels | 45,688 | 42,417 |
| | 166,905 | 174,498 |

8. SHARE CAPITAL

The pattern of shareholding as of 30 September 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 |
| | 100 | 10,000,000 | 100,000,000 |

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.

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

a) Zakat charge for the period:

Zakat charge for the nine month period ended 30 September comprises of the following:

| | 30 September 2020 (Unaudited) | 30 September 2019 (Unaudited) |
|-----------------------------|--|--|
| Zakat charge for the period | 45,097 | 681,378 |
| Zakat refund | - | (3,121,376) |
| | 45,097 | (2,439,998) |

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9. ZAKAT (Continued)

b) Provision for Zakat:

Movements in provision for Zakat for nine months period ended 30 September and for the year ended 31 December are as follows:

| | For the nine months period ended 30 September 2020 (Unaudited) | For the nine months period ended 30 September 2019 (Unaudited) | For the year ended 31 December 2019 (Audited) |
|---|---|---|--|
| Balance at beginning of the period/year | 900,560 | 3,325,529 | 3,325,529 |
| Charge for the period/year | 45,097 | 681,378 | 703,757 |
| Refunds | - | (3,121,376) | (3,121,376) |
| Payments made during the period/year | - | (7,350) | (7,350) |
| Balance at end of the period/year | 945,657 | 878,181 | 900,560 |

c) 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 6 May 2019 and received a rejection letter on 16 September 2019. Pursuant to the receipt of the rejection letter, on 14 October 2019, the Company has filed an appeal against the rejection to the General Secretariat of Tax Committees - Committee for Resolution of Tax Violations and Disputes and received a rejection ruling on 30 August 2020. Pursuant to the receipt of the rejection, on 29 September 2020, the Company has filed an appeal to the General Secretariat of Tax Committees - Appellate Committee for Tax Violations and Disputes Resolution. The Management of the Company has assessed their position and as per their assessment it is highly likely that the case will be settled in favor of the Company.

d) Zakat refund:

During the nine-months period ended 30 September 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.

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.

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11. CONTINGENCIES AND COMMITMENTS

The Company has no commitments and contingent liabilities as at 30 September 2020 (31 December 2019: Nil).

12. POST BALANCE SHEET EVENTS

Except as disclosed elsewhere in these condensed interim financial statements, 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 nine months period ended 30 September 2020.

However, as explained in Note 1, the Company noted that COVID-19 virus outbreak was declared a pandemic by the World Health Organization at a time close to first quarter ended 31 March 2020. At this stage when situation is evolving; the management is in process of assessing the possible impact on its business. It is not practicable to provide a detailed quantitative estimate of the potential impact at this stage. The Company does not foresee major impact on its operations, if the situation is normalized within a reasonable time period. The management continues to closely monitor any material developments across the markets in which it operates and sells its products and has a strategy in place to mitigate any potential adverse impacts.

13. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved on 8 Rabi ul Awal 1442H corresponding to 25 October 2020G.