GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS PERIOD ENDED
30 SEPTEMBER 2019
WITH
INDEPENDENT AUDITOR'S REVIEW REPORT

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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 2019 condensed interim financial statements of Gulf Lifting Financial Leasing Company ("the Company"), which comprises:

- the condensed statement of financial position as at 30 September 2019;
- the condensed statements of profit or loss and other comprehensive income for the three and nine month period ended 30 September 2019;
- the condensed statement of changes in shareholders' equity for the nine month period ended 30 September 2019;
- the condensed statement of cash flows for the nine-month period ended 30 September 2019; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with 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 2019 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

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License No: 394
Al Khobar, 25 Safar 1441H
Corresponding to: 24 October 2019G

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019
(Expressed in Saudi Arabian Riyals)

	Notes	30 September 2019 (Unaudited)	31 December 2018 (Audited)
ASSETS			
Non-current assets			
Net investment in finance leases	3	**55,166,375**	34,367,824
Property and equipment		**294,140**	412,347
Intangible assets	4	**813,601**	91,817
Investment		**892,850**	892,850
Total non-current assets		**57,166,966**	35,764,838
Current assets			
Current portion of net investment in finance leases	3	**32,001,080**	19,351,956
Advance to suppliers	5	**1,248,375**	-
Prepayments and other receivables		**1,024,897**	927,595
Cash and cash equivalents	6	**98,228,777**	131,237,316
Total current assets		**132,503,129**	151,516,867
TOTAL ASSETS		**189,670,095**	187,281,705
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		**(2,757,246)**	(7,890,119)
TOTAL SHAREHOLDERS' EQUITY		**187,887,037**	182,754,164
LIABILITIES			
Non-current liabilities			
Employees' benefits		**168,329**	119,049
Total non-current liabilities		**168,329**	119,049
Current liabilities			
Trade payables		**1,585**	143,477
Accrued expenses and other liabilities		**364,848**	733,596
Provision for Zakat	9	**878,181**	3,325,529
Due to related parties	7	**195,238**	110,776
Advance from customers		**174,877**	95,114
Total current liabilities		**1,614,729**	4,408,492
TOTAL LIABILITIES		**1,783,058**	4,527,541
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**189,670,095**	187,281,705

These condensed interim financial statements appearing on pages 1 to 13 were approved by the Board of Directors on 25 Safar 1441H corresponding to 24 October 2019G and have been signed on their behalf by:

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Director	Chief Executive Officer	Finance Manager

The accompanying notes from 1 to 13 appearing on pages 5 to 13 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 2019
(Expressed in Saudi Arabian Riyals)

	For the three months period ended 30 September 2019 (Unaudited)	For the three months period ended 30 September 2018 (Unaudited) (Restated)	**For the nine months period ended 30 September 2019 (Unaudited)**	For the nine months period ended 30 September 2018 (Unaudited) (Restated)
INCOME				
Income from operations				
Finance lease income	**1,821,915**	1,433,632	**5,688,426**	3,936,212
Income from other activities				
Income from short term bank deposits	**615,004**	701,219	**2,017,562**	1,758,355
Total income	**2,436,919**	2,134,851	**7,705,988**	5,694,567
EXPENSES				
Salaries and employee related expenses	**(923,823)**	(921,154)	**(2,586,165)**	(3,268,833)
Legal and professional charges	**(126,944)**	(99,920)	**(501,151)**	(409,333)
Rent and related expenses	**(103,436)**	(97,726)	**(244,316)**	(268,843)
Depreciation and amortization	**(63,678)**	(206,222)	**(280,273)**	(612,033)
Provision for lease losses	**(300,000)**	-	**(300,000)**	-
Other general and administrative expenses	**(287,359)**	(322,846)	**(693,003)**	(550,575)
Insurance expense	**(210,068)**	(31,380)	**(408,205)**	(55,074)
Total expenses	**(2,015,308)**	(1,679,248)	**(5,013,113)**	(5,164,691)
Profit before Zakat	**421,611**	455,603	**2,692,875**	529,876
Zakat refund / (charge) for the period (Note 9)	**(154,522)**	(728,554)	**2,439,998**	(2,528,507)
Profit / (loss) for the period	**267,089**	(272,951)	**5,132,873**	(1,998,631)
Other comprehensive income	-	-	-	-
Total Comprehensive income for the period	**267,089**	(272,951)	**5,132,873**	(1,998,631)
Earnings per share - basic and diluted	**0.03**	(0.03)	**0.51**	(0.20)

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

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019
(Expressed in Saudi Arabian Riyals)

	Share capital	Additional equity contribution	Accumulated losses	Total
1 January 2019	**100,000,000**	**90,644,283**	**(7,890,119)**	**182,754,164**
Total comprehensive income for the period	**-**	**-**	**5,132,873**	**5,132,873**
30 September 2019 (Unaudited)	**100,000,000**	**90,644,283**	**(2,757,246)**	**187,887,037**
1 January 2018	100,000,000	90,644,283	(5,477,645)	185,166,638
Total comprehensive income for the period (Restated)	-	-	(1,998,631)	(1,998,631)
30 September 2018 (Unaudited)	100,000,000	90,644,283	(7,476,276)	183,168,007

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

CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019
(Expressed in Saudi Arabian Riyals)

	Note	For the nine months ended 30 September 2019 (Unaudited)	For nine months ended 30 September 2018 (Unaudited)
OPERATING ACTIVITIES			
Profit before Zakat		**2,692,875**	529,876
Adjustments for:			
Depreciation		**120,807**	120,539
Amortization		**159,466**	491,494
Provision for employees' benefits		**49,280**	89,721
Provision for lease losses		**300,000**	-
		3,322,428	1,231,630
Changes in:			
Net investment in finance lease		**(33,747,675)**	(8,701,236)
Due from related parties		-	(531,176)
Due to related parties		**84,462**	2,167
Prepayments and other receivables		**(97,302)**	125,061
Trade payables		**(141,892)**	-
Accrued expenses and other liabilities		**(368,748)**	106,976
Advance from customers		**79,763**	225,458
Advance to suppliers		**(1,248,375)**	(993,300)
Cash used in operating activities		**(32,117,339)**	(8,534,420)
Employees' benefits paid		-	(111,922)
Zakat paid		**(7,350)**	(3,609,429)
Net cash used in operating activities		**(32,124,689)**	(12,255,771)
INVESTING ACTIVITIES			
Addition to property and equipment		**(2,600)**	(21,175)
Additions to intangibles		**(881,250)**	-
Net cash used in investing activities		**(883,850)**	(21,175)
Net decrease in cash and cash equivalents		**(33,008,539)**	(12,276,946)
Cash and cash equivalents at beginning of the period	6	**131,237,316**	143,987,147
Cash and cash equivalent at end of the period	6	**98,228,777**	131,710,201

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

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim financial statements of the Company as at and for the period ended 30 September 2019 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").

The financial statements of the Company as at and for the period and year ended 31 March 2019 and 31 December 2018, respectively, 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 income statement. 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").

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

2.1 Statement of compliance (Continued)

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.

Further IFRS 16 have been applied in these set of condensed interim financial statements. Changes to significant accounting policies are described in Note 2.6(B).

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' benefits obligation 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 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 stated.

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 expenses. 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 16, 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.

- Long term interest in Associates and Joint Venture (Amendments to IAS 28) effective for annual periods on 1 January 2019.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Uncertainty over Income Tax Treatments (IFRIC 23).
- Plan Amendments, Curtailment or settlement (Amendment to IAS 19).
- Annual improvements to IFRSs 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)

In addition to the above, IFRS 16 "Leases" is applicable from 1 January 2019. The effect of change in accounting policies related to IFRS 16 is described in Note 2.6(B).

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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 annual periods commencing after 1 January 2020 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, 2020.

- Amendments to References to Conceptual Framework in IFRS Standards (effective 1 January 2020).
- Definition of Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- 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.
- Sales or Contribution of Assets between an Investor or its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). Available for optional adoption / effective date deferred indefinitely.

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 2018, except for the change in the accounting for Zakat and income tax and to the lessee accounting under IFRS 16, which are described in A and B respectively.

These 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 2019.

The Company has adopted IFRS 16 Leases (see B). 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 mentioned in Note 2.1, the statement of compliance has been changed for the period ended 30 September 2019 as a result of the issuance of latest instructions from SAMA dated 17 July 2019. 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 income statement. The Company has accounted for this change in the accounting for Zakat retrospectively.

The effect of the above change has resulted in reduction of reported income of the Company for the three month and nine months periods ended 30 September 2018 by SR 0.73 million and by SR 2.53 million (31 December 2018: SR 3.2 million). Had there been no change in the accounting policy the income for the three month period ended 30 September 2019 would have been higher by SR 0.15 million and nine month period ended 30 September 2019 would have been lower by SR 2.43 million. This change does not have any impact on statement of financial position, statement of cash flows and equity of the Company, therefore no column for financial year ended 31 December 2017 has been presented in the condensed statement of financial position.

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

2.6 Accounting policies (Continued)

B. IFRS 16 "Leases"

The Company has initially adopted IFRS 16 Leases from 1 January 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has to recognise right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 (if any) is recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 "Determining Whether an Arrangement contains a Lease". The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

I. As a lessee

The Company leases office building. As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet. However, the Company has elected to avail exemption under IFRS- 16 and not to recognise right-of-use assets and lease liabilities for lease of office building as it is short term lease. The Company recognises the lease payments associated with the lease as an expense on a straight-line basis over the lease term.

Significant accounting policies

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation, impairment losses and adjusted for certain remeasurement of the lease liability.

When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

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

2.6 Accounting policies (Continued)

B. IFRS – 16 Leases (Continued)

Significant accounting policies (continued)

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

Previously, the Company classified property leases as operating leases under IAS 17. This include Office building. The leases typically run for a period of 2 years. The lease include an option to renew the lease for an additional one year after the end of the non-cancellable period. At transition, for lease classified as operating leases under IAS 17, the Company applied the exemption not to recognise right-of-use assets and liabilities for lease with less than 12 months of lease term.

II. As a lessor

The Company leases out heavy machinery and automobile to corporate customers. The Company has classified these leases as finance lease. The accounting policies applicable to the Company as a lessor are not different from those under IAS 17.

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the Company has applied IFRS 15 "Revenue from Contracts with Customers" to allocate consideration in the contract to each lease and non-lease component.

The accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16. Consequently, there are no material and reportable changes due to its transition to IFRS 16.

3. NET INVESTMENT IN FINANCE LEASES

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Gross investment in finance lease	**107,334,840**	67,164,350
Less: Unearned lease finance income	**(18,402,476)**	(11,979,661)
Net investment in finance leases	**88,932,364**	55,184,689
Provision for lease losses (Note 3.1)	**(1,764,909)**	(1,464,909)
	87,167,455	53,719,780
Current portion of net investment in finance lease	**(32,001,080)**	(19,351,956)
	55,166,375	34,367,824

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

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Balance at the beginning of the period / year	**1,464,909**	1,158,396
Allowance for the period / year	**300,000**	306,513
	1,764,909	1,464,909

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3. NET INVESTMENT IN FINANCE LEASES (Continued)

3.2 The maturity of the gross investment in finance leases, unearned finance lease income and net investment in finance leases as at 30 September 2019 is as follows:

	Gross investment in finance leases (Unaudited)	Unearned finance lease income (Unaudited)	Net investment in finance leases (Unaudited)
Not later than one year	**41,121,356**	**9,120,276**	**32,001,080**
One to two years	**33,638,215**	**5,821,430**	**27,816,785**
Two to three years	**21,042,743**	**2,641,185**	**18,401,558**
Three to four years	**8,654,187**	**680,637**	**7,973,550**
Four to five years	**2,878,339**	**138,948**	**2,739,391**
Later than five years	-	-	-
	107,334,840	**18,402,476**	**88,932,364**

The maturity of the gross investment in finance leases, unearned finance lease income and net investment in finance leases as at 31 December 2018 is as follows:

	Gross investment in finance leases (Audited)	Unearned finance lease income (Audited)	Net investment in finance leases (Audited)
Not later than one year	25,087,737	5,735,781	19,351,956
One to two years	19,016,990	3,700,883	15,316,107
Two to three years	16,534,488	1,898,290	14,636,198
Three to four years	4,434,216	560,194	3,874,022
Four to five years	2,090,919	84,513	2,006,406
Later than five years	-	-	-
	67,164,350	11,979,661	55,184,689

3.3 During the nine months period ended 30 September 2019 the Company has entered into 14 new contracts having gross investment in finance lease amounting to SR 54.23 million and unearned finance lease income amounting to SR 9.05 million. The carrying amount of net investment in finance lease related to these new contracts amounts to SR 41.66 million.

4. INTANGIBLE ASSETS

Intangible asset represents license for computer software. There is an addition of **SAR 881,250** (2018: Nil) in intangible asset during the period. Amortization charge for the period amounted to **SAR 159,466** (2018: 491,494).

5. ADVANCE TO SUPPLIERS

Advance to suppliers represents the amount paid to the suppliers in connection with the new contracts. The balance as at 30 September 2019 is **SAR 1,248,375** (31 December 2018: NIL).

6. CASH AND CASH EQUIVALENTS

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Cash in hand	**1,145**	9,887
Cash at bank	**3,935,150**	1,266,970
Short term deposits	**94,292,482**	129,960,459
	98,228,777	131,237,316

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6. CASH AND CASH EQUIVALENTS (Continued)

Short term bank deposits are determined in Saudi Arabian Riyals and United States Dollars, these are with local banks and are made for varying periods from 1 month to 3 months and carry interest rates ranging from 2.35% to 2.75% per annum. (31 December 2018: 1.7% to 2.8% per annum).

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.

Transactions with related parties mainly relate to purchase of assets, collections and payment of expenses on behalf of the Company which are undertaken at mutually agreed terms and conditions which 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 2019 (Unaudited)**	For the nine months period ended 30 September 2018 (Unaudited)
Yusuf Bin Ahmed Kanoo Company Limited	Shareholder		
Collections made on behalf of the Company		**2,288,758**	5,367,940
Expenses paid on behalf of the Company		-	5,107
Kanoo Travels	Other related party		
Purchase of tickets for staff		**30,111**	9,838
AXA Cooperative Insurance Company	Other related party		
Insurance policies purchased for lease equipment		**956,258**	87,366

Key management personnel compensation comprised of the following transactions:

	For the nine months period ended 30 September 2019 (Unaudited)	For the nine months period ended 30 September 2018 (Unaudited)
Transactions:		
Compensation of key management executives	**333,660**	490,000
Audit committee remuneration	**158,862**	174,010

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

Due to related parties:

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Yusuf Bin Ahmed Kanoo Company Limited	**107,899**	107,899
AXA Cooperative Insurance Company	**57,228**	2,877
Kanoo Travels	**30,111**	-
	195,238	110,776

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8. SHARE CAPITAL

The pattern of shareholding as at 30 September 2019 and 31 December 2018 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.

	30 September 2019 (Unaudited)	30 September 2018 (Unaudited)
Zakat charge for the period	**(681,378)**	(2,528,507)
Zakat refund	**3,121,376**	-
	2,439,998	(2,528,507)

On 7 Rajab 1440H corresponding to 14 March 2019G, GAZT issued Zakat rules for financing activities. The rules are applicable for entities conducting financing activities for the fiscal years commenced on or after 1 January 2019. Consequently the provision for Zakat for the period ended 30 September 2019 has been calculated based on the new rules.

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

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 nine month 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.

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9. ZAKAT (Continued)

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 income statement, there is no impact on statement of financial position, statement of changes in equity and statement of cash flows:

For the nine month period ended 30 September 2018:

Financial statement impacted	Financial statement caption	Before the restatement for the nine month period ended 30 September 2018	Effect of restatement	As restated as at and for the nine month period ended 30 September 2018
Income statement	Zakat expense	-	(2,528,507)	(2,528,507)

For the three month period ended 30 September 2018:

Financial statement impacted	Account	Before the restatement for the three month period ended 30 September 2018	Effect of restatement	As restated as at and for the three month period ended 30 September 2018
Income statement	Zakat expense	-	(728,554)	(728,554)

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 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 the date of statement of financial position, 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 except already disclosed otherwise in these condensed interim financial statements as at 30 September 2019 (31 December 2018: Nil).

12. SUBSEQUENT EVENTS

There were no significant events between the date of condensed statement of financial position and date of issuance of condensed interim financial statements, which require adjustments/disclosure in these condensed interim financial statements.

13. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved on 25 Safar 1441H corresponding to 24 October 2019G.

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