

GULF LIFTING FINANCIAL LEASING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

**CONDENSED INTERIM FINANCIAL
INFORMATION**

With

INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE AND NINE MONTH PERIOD ENDED
30 SEPTEMBER 2018



GULF LIFTING FINANCIAL LEASING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018
(Expressed in Saudi Riyals)

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Independent Auditors' Report On Review Of Interim Financial Information

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

Introduction

We have reviewed the accompanying 30 September 2018 condensed interim financial information of **Gulf Lifting Financial Leasing Company** (the "Company") which comprises:

- the condensed statement of financial position as at 30 September 2018;
- the condensed statement of profit or loss for the three and nine month period ended 30 September 2018;
- the condensed statement of other comprehensive income for the three and nine month period ended 30 September 2018;
- the condensed statement of changes in shareholders' equity for the nine month period ended 30 September 2018;
- the condensed statement of cash flows for the nine month period ended 30 September 2018; and
- the notes to the condensed interim financial information.

Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.





Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2018 condensed interim financial information of **Gulf Lifting Financial Leasing Company** is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as modified by SAMA for the accounting of zakat and income tax.

For KPMG Al Fozan & Partners
Certified Public Accountants

Tareq Abdulrahman Al Sunaid
License No: 419
Al Khobar, ----- 1440H
Corresponding to: --- October 2018G


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GULF LIFTING FINANCIAL LEASING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018
(Expressed in Saudi Riyals)

	Note	30 September 2018 (Unaudited)	31 December 2017 (Audited)
ASSETS			
Non-current assets			
Net investment in finance leases	3	35,430,949	29,936,957
Advance for investment		-	892,850
Investment	7	892,850	-
Intangible asset		257,449	748,943
Property and equipment		452,836	552,200
Total non-current assets		37,034,084	32,130,950
Current assets			
Cash and cash equivalents	4	131,710,201	143,987,147
Current maturity of net investment in finance leases	3	15,616,075	12,408,831
Prepayments and other receivables		961,839	1,086,900
Due from a related party	6	531,176	-
Advances to suppliers		993,300	-
Total current assets		149,812,591	157,482,878
Total assets		186,846,675	189,613,828
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	5	100,000,000	100,000,000
Additional equity contribution		90,644,283	90,644,283
Accumulated losses		(7,476,276)	(5,477,645)
Total shareholders' equity		183,168,007	185,166,638
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits		118,268	140,469
Total non-current liabilities		118,268	140,469
Current liabilities			
Accrued expenses		761,198	654,222
Due to a related party	6	45,237	43,070
Advance from customers		225,458	-
Provision for Zakat	8	2,528,507	3,609,429
Total current liabilities		3,560,400	4,306,721
Total liabilities		3,678,668	4,447,190
Total shareholders' equity and liabilities		186,846,675	189,613,828

The financial information appearing on pages 1 to 16 was approved by the Board of Directors on 16 Safar 1440H corresponding to 25 October 2018G and have been signed on its behalf by:


Director


Chief Executive Officer


Finance Manager

The accompanying notes from 1 to 12 form an integral part of this condensed interim financial information.



GULF LIFTING FINANCIAL LEASING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF PROFIT OR LOSS
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018
(Expressed in Saudi Riyals)

	For the three months ended 30 September 2018 (Unaudited)	For the three months ended 30 September 2017 (Unaudited)	For the nine months ended 30 September 2018 (Unaudited)	For the nine months ended 30 September 2017 (Unaudited)
INCOME				
Income from operations				
Finance lease	1,433,632	1,272,470	3,936,212	3,956,238
Income from other activities				
Income from short term bank deposits	701,219	389,082	1,758,355	1,097,566
Total income	<u>2,134,851</u>	<u>1,661,552</u>	<u>5,694,567</u>	<u>5,053,804</u>
EXPENSES				
Salaries and related expenses	(921,154)	(992,079)	(3,268,833)	(2,613,037)
Depreciation and amortization	(206,222)	(201,193)	(612,033)	(506,994)
Legal and professional charges	(99,920)	(277,460)	(409,333)	(598,480)
Rent and related expenses	(97,726)	(129,978)	(268,843)	(292,867)
Insurance expense	(31,380)	-	(55,074)	-
Provision for lease losses	-	(1,124,904)	-	(1,240,467)
Other general and administrative expenses	(322,846)	(16,279)	(550,575)	(205,777)
Total expenses	<u>(1,679,248)</u>	<u>(2,741,893)</u>	<u>(5,164,691)</u>	<u>(5,457,622)</u>
Profit / (loss) for the period	<u>455,603</u>	<u>(1,080,341)</u>	<u>529,876</u>	<u>(403,818)</u>

The accompanying notes from 1 to 12 form an integral part of this condensed interim financial information.



GULF LIFTING FINANCIAL LEASING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018
(Expressed in Saudi Riyals)

	For the three months ended 30 September 2018 (Unaudited)	For the three months ended 30 September 2017 (Unaudited)	For the nine months ended 30 September 2018 (Unaudited)	For the nine months ended 30 September 2017 (Unaudited)
Profit / (loss) for the period	455,603	(1,080,341)	529,876	(403,818)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	455,603	(1,080,341)	529,876	(403,818)

The accompanying notes from 1 to 12 form an integral part of this condensed interim financial information.



GULF LIFTING FINANCIAL LEASING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018
(Expressed in Saudi Riyals)

	Share capital	Additional equity contribution	Accumulated losses	Total
Balance as at 1 January 2018	100,000,000	90,644,283	(5,477,645)	185,166,638
Total comprehensive income for the period	-	-	529,876	529,876
Zakat for the period (Note 8)	-	-	(2,528,507)	(2,528,507)
30 September 2018 (Unaudited)	<u>100,000,000</u>	<u>90,644,283</u>	<u>(7,476,276)</u>	<u>183,168,007</u>
Balance as at 1 January 2017	100,000,000	90,644,283	(1,101,162)	189,543,121
Total comprehensive income for the period	-	-	(403,818)	(403,818)
Zakat for the period (Note 8)	-	-	(2,739,500)	(2,739,500)
30 September 2017 (Unaudited)	<u>100,000,000</u>	<u>90,644,283</u>	<u>(4,244,480)</u>	<u>186,399,803</u>

The accompanying notes from 1 to 12 form an integral part of this condensed interim financial information.



GULF LIFTING FINANCIAL LEASING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018
 (Expressed in Saudi Riyals)

Note	For the nine months ended 30 September 2018 (Unaudited)	For the nine months ended 30 September 2017 (Unaudited)
OPERATING ACTIVITIES		
Profit /(loss) for the period	529,876	(403,818)
<i>Adjustments for:</i>		
Depreciation	120,539	105,518
Amortization	491,494	401,476
Provision for employees' end of service benefits	89,721	85,409
	<u>1,231,630</u>	<u>188,585</u>
Changes in:		
Net investment in finance lease	(8,701,236)	19,486,090
Due from related parties	(531,176)	(3,687,350)
Due to a related party	2,167	
Prepayments and other receivables	125,061	(723,751)
Deposit from a vendor	-	(3,368,001)
Accrued expenses	106,976	(73,598)
Advance from customers	225,458	(294,000)
Advance to suppliers	(993,300)	-
Cash (used in) / generated from operating activities	(8,534,420)	11,527,975
Employees' terminal benefits paid	(111,922)	-
Zakat paid	(3,609,429)	(3,343,320)
Net cash (used in) / generated from operating activities	<u>(12,255,771)</u>	<u>8,184,655</u>
INVESTING ACTIVITIES		
Acquisition of property and equipment	(21,175)	(204,783)
Acquisition of intangibles	-	(1,314,250)
Net cash used in investing activities	<u>(21,175)</u>	<u>(1,519,033)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(12,276,946)</u>	<u>6,665,622</u>
Cash and cash equivalents at beginning of the period	<u>143,987,147</u>	<u>131,894,718</u>
Cash and cash equivalent at end of the period	<u>4</u> <u>131,710,201</u>	<u>138,560,340</u>
<u>Non-cash transactions</u>		
Transfer of capital work in progress to property and equipment	-	488,494

The accompanying notes from 1 to 12 form an integral part of this condensed interim financial information.



GULF LIFTING FINANCIAL LEASING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018
(Expressed in Saudi Riyals)

1. CORPORATE INFORMATION

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION

2.1 Statement of compliance

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

Changes to significant accounting policies are described in Note 2.5 and 2.6.

2.2 Basis of preparation

The Company has prepared this condensed interim financial information under the historical cost convention using the accrual basis of accounting.



A handwritten signature in blue ink, appearing to be 'Yusuf Bin Ahmed Kanoo', located to the right of the stamp.

GULF LIFTING FINANCIAL LEASING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018
(Expressed in Saudi Riyals)

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

2.3 Functional and presentation currency

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

2.4 Use of judgements and estimates

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

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

2.5 Standards, new pronouncements and interpretations:

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

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

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

In addition to the above, IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" are applicable from 1 January 2018. Changes to significant accounting policies are described in Note 2.6.

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

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

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



GULF LIFTING FINANCIAL LEASING COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018
(Expressed in Saudi Riyals)

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

2.5 Standards, new pronouncements and interpretations (Continued):

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

IFRS 16 – ‘Leases’

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

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

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

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

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

2.6 Accounting policies

Following accounting policies have been applied in preparation of this condensed interim financial information. These policies have been applied consistently for all periods presented.

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

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

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

A. IFRS – 15 Revenue from contracts with customers

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



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

2.6 Accounting policies (Continued)

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

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

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

B. Financial instruments

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

Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company applies the classification and measurement requirements for financial instruments under IFRS 9 ‘Financial Instruments’ for the period ended 30 September 2018.

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

Financial assets

i. Classification and subsequent measurement

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

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

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

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

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018
(Expressed in Saudi Riyals)

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

2.6. Accounting policies (continued)

B. Financial instruments (Continued)

Financial assets (Continued)

ii. Impairment of financial assets

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

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

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

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

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

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

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

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

GULF LIFTING FINANCIAL LEASING COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018
(Expressed in Saudi Riyals)

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

2.6 Accounting policies (Continued)

B. Financial instruments (Continued)

ii. Impairment of financial assets (Continued)

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

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

iii. Derecognition

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

Financial liabilities

i. Classification and subsequent measurement of financial liabilities

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

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

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

ii. Derecognition of financial liabilities

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

iii. Offsetting

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

Transition

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



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

2.6 Accounting policies (Continued)

B. Financial instruments (Continued)

Financial liabilities (Continued)

Transition (Continued)

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

Finance lease receivable that were classified as loans and receivables under IAS 39 are now classified at amortised cost. The impact on the allowance for impairment over these receivables was not recognised in the opening retained earnings at 1 January 2018 on transition to IFRS 9 as the amount was not material.

3. **NET INVESTMENT IN FINANCE LEASES**

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Gross investment in finance lease	63,771,324	52,995,131
Less: Unearned finance lease income	(11,565,904)	(9,490,947)
Net investment in finance leases	52,205,420	43,504,184
Provision for lease losses	(1,158,396)	(1,158,396)
	51,047,024	42,345,788
Current maturity	(15,616,075)	(12,408,831)
	35,430,949	29,936,957

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

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



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3. NET INVESTMENT IN FINANCE LEASES (Continued)

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

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Neither past due nor impaired	51,608,165	42,546,886
Past due 1-30 days	176,042	536,283
Past due 31-90 days	-	-
Past due 91-180 days	-	-
Past due 181-365 days	-	287,250
Over 1 year	421,213	133,765
	<u>52,205,420</u>	<u>43,504,184</u>
Less: Allowance for lease losses	<u>(1,158,396)</u>	<u>(1,158,396)</u>
	<u>51,047,024</u>	<u>42,345,788</u>

3.3 The maturity of the gross investment in finance leases as at 30 September 2018 is as follows:

	Gross investment in finance leases (Unaudited)	Unearned leases finance income (Unaudited)	Net investment in finance leases (Unaudited)
Not later than one year	22,126,933	(5,351,462)	16,774,471
Later than one year but not later than five years	41,644,391	(6,213,442)	35,430,949
	<u>63,771,324</u>	<u>(11,564,904)</u>	<u>52,205,420</u>

The maturity of the gross investment in finance leases as at 31 December 2017 is as follows:

	Gross investment in finance leases (Audited)	Unearned leases finance income (Audited)	Net investment in finance leases (Audited)
Not later than one year	16,938,081	(4,408,734)	12,529,347
Later than one year but not later than five years	36,057,050	(5,082,213)	30,974,837
	<u>52,995,131</u>	<u>(9,490,947)</u>	<u>43,504,184</u>

4. CASH AND CASH EQUIVALENTS:

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Cash in hand	333	15,000
Bank balances	6,262,060	2,068,333
Short term deposits	125,447,808	141,903,814
	<u>131,710,201</u>	<u>143,987,147</u>

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4. CASH AND CASH EQUIVALENTS (Continued):

Short term bank deposits are determined in Saudi Riyals and US Dollars with local banks and are made for varying periods from 1 month to 3 month and carry interest rates ranging from 1.4% to 2.19% per annum. (2017: 1% to 1.4%).

5. SHARE CAPITAL

The pattern of shareholding as of 30 September 2018 and 31 December 2017 is as follows:

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

6. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholder, directors and key management personnel 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' meeting held during the period, all the directors have waived their right to receive the remuneration.

Prices and terms of payment with related parties are approved by the management.

Following are the related parties of the Company and the details of significant transactions:

Transactions with related parties:

	Relationship	For the nine months ended 30 September 2018 (Unaudited)	For the nine months ended 30 September 2017 (Unaudited)
Yusuf Bin Ahmed Kanoo Company Limited	Shareholder		
Expenses paid on behalf of the Company		5,107	6,860,251
Collections made on behalf of the Company		5,367,940	13,890,920
Zakat paid on behalf of the Company		-	3,343,319
Kanoo Travel	Affiliate		
Purchase of tickets for staff		9,838	-
AXA Cooperative Insurance Company	Affiliate		
Insurance policy purchased for lease equipment		87,366	-



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6. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Key management personnel compensation comprised of the following transactions:

	For the nine months ended 30 September 2018 (Unaudited)	For the nine months ended 30 September 2017 (Unaudited)
<u>Transactions:</u>		
Compensation of key management (executives)	717,137	585,000
Audit Committee remuneration	227,951	-

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

Due from a related party:

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Yusuf Bin Ahmed Kanoo Company Limited	531,176	-
	531,176	-

Due to a related party:

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
AXA Cooperative Insurance Company	45,237	-
Yusuf Bin Ahmed Kanoo Company Limited	-	43,070
	45,237	43,070

7. INVESTMENT

Based on the instructions of Saudi Arabian Monetary Authority "SAMA" in the month of December 2017 a new entity was incorporated to register the leasing contracts in the Kingdom of Saudi Arabia called "Saudi for leasing registration ("the Investee"). SAMA instructed all leasing companies and banks to contribute to the capital of the new investee. The Company contributed SAR 892,850 in December 2017. The amount was classified as advance for the investment. During the period, the Company has received 89,285 shares (2% of total shares) and classified the investment as fair value through other comprehensive Income (FVOCI).

8. ZAKAT

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

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

9. SUBSEQUENT EVENTS

There were no significant events between the date of balance sheet and date of issuance of interim financial information which requires adjustments / disclosure in this interim financial information.



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

11. CONTINGENCIES AND COMMITMENTS

The Company has no commitments and contingent liabilities as at 30 September 2018 (2017: Nil).

12. APPROVAL OF THE CONDENSED INTERIM FINANCIAL INFORMATION

This condensed interim financial information was approved on 16 Safar 1440H corresponding to 25 October 2018G.



A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke.