

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE AND SIX MONTHS PERIOD
ENDED
30 JUNE 2021

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2021

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كي بي إم جي للاستشارات المهنية

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المملكة العربية السعودية
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Commercial Registration No 205106232

سجل تجاري رقم 2051062328

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 June 2021 condensed interim financial statements of Gulf Lifting Financial Leasing Company ("the Company"), which comprise:

- the condensed statement of financial position as at 30 June 2021;
- the condensed statements of profit or loss and other comprehensive income for the three-month and six-month period ended 30 June 2021;
- the condensed statement of changes in shareholders' equity for the six-month period ended 30 June 2021;
- the condensed statement of cash flows for the six-months period ended 30 June 2021; 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.

KPMG Professional Services a professional closed joint stock company registered in the Kingdom of Saudi Arabia with the paid-up capital of SAR 15,000,000. Previously known as KPMG Al Fozan & Partners Certified Public Accountants. A member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited.

كي بي إم جي للاستشارات المهنية، شركة مهنية مساهمة مقفلة مسجلة في المملكة العربية السعودية رأسمليها (15000000) ريال سعودي مدفوع بالكامل، وقد تم تغيير اسم الشركة من الاسم السابق "الشركة كي بي إم جي للوزان وشركاه محاسبون ومراجعون قنويون" إلى الاسم الحالي بتاريخ 2021/03/21م. وهي شركة عضو غير شريك في شبكة شركات كي بي إم جي المنتظمة والقيمه لـ كي بي إم جي العالمية، شركة مسجلة في بريطانيا

Commercial Registration of the headquarter in Riyadh is 1010425494.



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 June 2021 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 Professional Services

Abdulaziz Abdullah Alnaim
License No: 394




Al Khobar, 23 Dhul Hijjah 1442H
Corresponding to: 2 August 2021G


GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021
(Expressed in Saudi Riyals)

	Notes	30 June 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
Non-current assets			
Net investment in finance leases	3	62,535,609	58,210,176
Investment		892,850	892,850
Intangible assets	4	945,917	687,962
Property and equipment		293,952	343,882
Total non-current assets		64,668,328	60,134,870
Current assets			
Current portion of net investment in finance leases	3	51,875,245	32,979,873
Prepayments and other receivables	5	13,126,126	3,006,903
Cash and bank balances	6	95,061,309	122,684,153
Total current assets		160,062,680	158,670,929
TOTAL ASSETS		224,731,008	218,805,799
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		(20,379,837)	(19,269,466)
TOTAL SHAREHOLDERS' EQUITY		170,264,446	171,374,817
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits		211,965	229,065
Deposits from Saudi Central Bank (SAMA)	12.1	14,898,565	23,072,102
Total non-current liabilities		15,110,530	23,301,167
Current liabilities			
Trade payables		10,162	84,404
Accrued expenses and other liabilities		390,065	502,858
Provision for Zakat	9	900,560	1,132,728
Due to related parties	7	6,884,868	197,078
Deposits from Saudi Central Bank (SAMA)	12.1	29,242,940	19,589,379
Advance from customers		1,927,437	2,623,368
Total current liabilities		39,356,032	24,129,815
TOTAL LIABILITIES		54,466,562	47,430,982
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		224,731,008	218,805,799

These financial statements appearing on pages 1 to 14 were approved by the Board of Directors on 23 Dul Hijjah 1442H corresponding to 2 August 2021G and have been signed on their behalf by:



Ali Abdullah Kanop
Director



Yaser Mudhafar
Chief Financial Officer

The accompanying notes from 1 to 15 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 SIX MONTHS PERIOD ENDED 30 JUNE 2021
(Expressed in Saudi Riyals)

	For the three months period ended 30 June 2021 (Unaudited)	For the three months period ended 30 June 2020 (Unaudited)	For the six months period ended 30 June 2021 (Unaudited)	For the six months period ended 30 June 2020 (Unaudited)
INCOME				
Income from operations				
Finance lease income	3,041,067	2,224,316	5,853,652	4,566,030
Income from other activities				
Other income	190,166	224,463	290,884	594,876
Total income	3,231,233	2,448,779	6,144,536	5,160,906
EXPENSES				
Loss on account of participation to SAMA deferred payment program (note 12.2)	(2,088,159)	(29,047)	(2,508,161)	(29,047)
Salaries and related expenses	(1,185,632)	(1,291,750)	(2,478,096)	(2,398,634)
Legal and professional charges	(309,625)	(242,132)	(589,036)	(445,915)
Rent and related expenses	(180,287)	(123,576)	(354,944)	(231,306)
Depreciation	(25,436)	(44,712)	(60,055)	(84,650)
Amortization (note 4)	(25,710)	(25,710)	(51,420)	(51,137)
Impairment of finance lease receivable	-	-	-	(3,336,942)
Other general and administrative expenses (note 13)	(163,002)	(74,785)	(492,756)	(151,662)
Insurance expense	(149,841)	(245,530)	(320,439)	(501,533)
Total expenses	(4,127,692)	(2,077,242)	(6,854,907)	(7,230,826)
(Loss) / profit before Zakat	(896,459)	371,537	(710,371)	(2,069,920)
Zakat expense (note 9)	-	(31,115)	-	(45,097)
(Loss) / profit for the period	(896,459)	340,422	(710,371)	(2,115,017)
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	(896,459)	340,422	(710,371)	(2,115,017)
Earnings / (loss) per share – basic and diluted				
	(0.09)	0.03	(0.07)	(0.21)

The accompanying notes from 1 to 15 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 SIX MONTHS PERIOD ENDED 30 JUNE 2021
(Expressed in Saudi Riyals)

	Share capital	Additional equity contribution	Accumulated losses	Total
Balance at 1 January 2020	100,000,000	90,644,283	(2,087,491)	188,556,792
Loss for the period	-	-	(2,115,017)	(2,115,017)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(2,115,017)	(2,115,017)
Balance at 30 June 2020	100,000,000	90,644,283	(4,202,508)	186,441,775
Balance at 1 January 2021	100,000,000	90,644,283	(19,269,466)	171,374,817
Penalty paid to SAMA relating to the year 2020 (note 13.1)	-	-	(400,000)	(400,000)
Loss for the period	-	-	(710,371)	(710,371)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(710,371)	(710,371)
Balance at 30 June 2021	100,000,000	90,644,283	(20,379,837)	170,264,446

The accompanying notes from 1 to 15 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 SIX MONTHS PERIOD ENDED 30 JUNE 2021
(Expressed in Saudi Riyals)

	Notes	For the six months ended 30 June 2021 (Unaudited)	For six months ended 30 June 2020 (Unaudited)
Cash flows from operating activities			
Loss before Zakat		(710,371)	(2,069,920)
<i>Adjustments for:</i>			
- Impairment of finance lease receivable		-	3,336,942
- Depreciation		60,055	84,650
- Amortization	4	51,420	51,137
- Loss on account modification of lease contracts payment terms	12.2	1,992,640	2,337,707
- SAMA deposits – fair value adjustments, net	12.1	515,521	(2,308,660)
- Write-off of property and equipment		10,475	-
- Employees’ end of service benefits		52,691	81,060
		<u>1,972,431</u>	<u>1,512,916</u>
<i>Changes in:</i>			
- Net investment in finance lease		(25,213,445)	(5,676,010)
- Prepayments and other receivables		(10,119,223)	1,190,941
- Due to related parties		6,687,790	(9,991)
- Trade payables		(74,242)	(564,213)
- Advance from customers		(695,931)	2,471,188
- Accrued expenses and other liabilities		(112,793)	727,907
Cash generated (used in) /from operating activities		<u>(27,555,413)</u>	<u>(347,262)</u>
Penalty paid to SAMA	13.1	(400,000)	-
Employees’ end of service benefits paid		(69,791)	(48,806)
Zakat paid	9(b)	(232,168)	-
Net cash (used in) / from operating activities		<u>(28,257,372)</u>	<u>(396,068)</u>
Cash flows from investing activities			
Acquisition of property and equipment		(20,600)	(77,516)
Acquisition of intangible assets	4	(309,375)	-
Net cash used in investing activities		<u>(329,975)</u>	<u>(77,516)</u>
Cash flows from financing activities			
Deposits received from SAMA		10,407,782	32,250,000
Repayment of deposits to SAMA	12.1	(9,443,279)	-
		<u>964,503</u>	<u>32,250,000</u>
Net increase / (decrease) in cash and cash equivalents		<u>(27,622,844)</u>	<u>31,776,416</u>
Cash and cash equivalents at beginning of the period		<u>122,684,153</u>	<u>94,273,112</u>
Cash and cash equivalent at end of the period	6	<u><u>95,061,309</u></u>	<u><u>126,049,528</u></u>

The accompanying notes from 1 to 15 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 SIX MONTHS PERIOD ENDED 30 JUNE 2021
(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 Central Bank (formerly known as 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 Central Bank (formerly known as 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 Dhul 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 amounting to SR 90.65 million 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 Qa’dah 1438H corresponding 6 August 2017G.

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 June 2021 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 Chartered and Professional Accountants (formerly known as 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.

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

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 2020.

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.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

b) Standards, interpretations and amendments to published standards that will be effective for the annual periods commencing on or after 1 January 2022 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 2022.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- IFRS 17 Insurance Contracts and its amendments
- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Definition of Accounting Estimate (Amendments to IAS 8)
- Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

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 2020.

A number of other new standards and interpretations as mentioned in note 2.5 (a) are effective from 1 January 2021 but they do not have a material effect on the Company's financial statements.

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021
(Expressed in Saudi Riyals)

3. NET INVESTMENT IN FINANCE LEASES

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Gross investment in finance lease	154,845,676	130,261,165
Less: Unearned lease finance income	(23,863,982)	(22,500,276)
Net investment in finance leases	130,981,694	107,760,889
Impairment of finance lease receivable	(16,570,840)	(16,570,840)
	114,410,854	91,190,049
Current	(51,875,245)	(32,979,873)
Non-current	62,535,609	58,210,176

As at 30 June 2021, net investment in finance leases includes receivable from two delinquent customers amounting to SR 15,354,339 (31 December 2020: 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. The Company has recorded a provision of SR 15,243,756 as at 30 June 2021 (31 December 2020: SR 15,243,756) in relation to these customers as the outcome of the legal proceedings remains uncertain.

3.1 The movement in the impairment of finance lease receivable was as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Balance at the beginning of the period / year	16,570,840	2,271,898
Provision for expected credit losses for the period / year	-	14,298,942
	16,570,840	16,570,840

3.2 The maturity of the gross investment in finance leases as at 30 June 2021 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	64,257,607	12,382,362	51,875,245
One to two years	48,937,422	7,131,449	41,805,973
Two to three years	24,791,506	3,038,762	21,752,744
Three to four years	11,357,580	1,080,185	10,277,395
Four to five years	5,501,561	231,224	5,270,337
	154,845,676	23,863,982	130,981,694

GULF LIFTING FINANCIAL LEASING COMPANY
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3. NET INVESTMENT IN FINANCE LEASES (Continued)

The maturity of the gross investment in finance leases as at 31 December 2020 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	44,064,542	11,084,669	32,979,873
One to two years	44,125,718	6,947,358	37,178,360
Two to three years	24,855,664	3,242,556	21,613,108
Three to four years	10,826,637	1,059,573	9,767,064
Four to five years	6,388,604	166,120	6,222,484
	<u>130,261,165</u>	<u>22,500,276</u>	<u>107,760,889</u>

4. INTANGIBLE ASSETS

Intangible assets represent licenses for computer software and work in progress for ERP software implementation expenses. For six months period ended 30 June 2021, the Company capitalized SR 309,375 as work in progress for ERP software implementation expenses (six months period ended 30 June 2020: Nil). Amortization charge for three and six months period ended 30 June 2021 amounted to SR 25,710 and SR 51,420 respectively (three and six months period ended 30 June 2020: SR 25,710 and SR 51,137 respectively).

5. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Prepaid expenses	911,750	539,302
Accrued interest on short term deposits	26,365	40,041
VAT receivable	399,665	1,113,071
Advance to suppliers	11,716,494	1,256,483
Others	71,852	58,006
	<u>13,126,126</u>	<u>3,006,903</u>

6. CASH AND BANK BALANCES

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Cash in hand	180	180
Bank balances	9,636,733	18,962,725
Short term deposits	85,424,396	103,721,248
	<u>95,061,309</u>	<u>122,684,153</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 months and carry interest rates ranging from 0.07% to 0.50% per annum. (31 December 2020: 0.10% to 2.00%).

GULF LIFTING FINANCIAL LEASING COMPANY
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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.

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 six months period ended 30 June 2021 (Unaudited)	For the six months period ended 30 June 2020 (Unaudited)
Yusuf Bin Ahmed Kanoo Company Limited	Shareholder		
Expenses paid on behalf of the Company		28,737	-
Purchase of equipment		7,935,000	-
AXA Cooperative Insurance Company	Other related party		
Purchase of insurance		27,964	949,433
Kanoo Travel	Other related party		
Purchase of travel tickets		5,431	3,271

Key management personnel

Key management personnel of the Company comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company.

Key management personnel remuneration comprised short term employee benefits amounting to SR 687,166 for the six months period ended 30 June 2021 (six months period ended 30 June 2020: SR 855,066). Key management personnel remuneration also includes employees' end of service benefits which cannot be separately identified.

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021
(Expressed in Saudi Riyals)

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 June 2021 (Unaudited)	31 December 2020 (Audited)
Yusuf Bin Ahmed Kanoo Company Limited	6,882,470	148,992
AXA Cooperative Insurance Company	2,398	2,398
Kanoo Travels	-	45,688
	6,884,868	197,078

8. SHARE CAPITAL

The pattern of shareholding as of 30 June 2021 and 31 December 2020 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 Zakat, Tax and Customs Authority (“ZTCA”) Formerly known as General Authority of Zakat and 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 six months period ended 30 June comprises of the following:

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Zakat charge for the period	-	13,982

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9. ZAKAT (Continued)

b) Provision for Zakat:

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

	For the six months period ended 30 June 2021 (Unaudited)	For the six months period ended 30 June 2020 (Unaudited)	For the year ended 31 December 2020 (Audited)
Balance at beginning of the period/year	1,132,728	900,560	900,560
Payments during the period/year	(232,168)	-	-
Charge for the period/year	-	45,097	232,168
Balance at end of the period/year	900,560	945,657	1,132,728

c) Zakat assessment status:

The Company has submitted its Zakat declarations with the Zakat, Tax and Customs Authority (ZTCA) (formerly known as General Authority of Zakat and Tax (GAZT)) up to the year 2020. The Company has obtained its Zakat certificate for the year ended 31 December 2020, which is valid up to 30 April 2022.

The Zakat, Tax and Customs Authority (ZTCA) (formerly known as General Authority of Zakat and Tax (GAZT)) issued a Zakat assessment for the year 2016 through a letter dated 11 March 2019 (ref: 026000039227) with an additional liability of Zakat amounting to SR 1,607,005 (excluding the delayed penalty of SAR 1,184,035 as at 31 December 2020). The Company 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 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 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 its position and as per their assessment it is highly likely that the case will be settled 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 approximates their carrying values.

11. CONTINGENCIES AND COMMITMENTS

The Company has no commitments and contingent liabilities as at 30 June 2021 (31 December 2020: Nil).

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12. PARTICIPATION TO SAMA PROGRAM

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.

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 was required to defer payments on lease contracts to the customers that qualify as SMEs. SAMA introduced the program for an initial period of six months from 14 April 2020 and then later extended until 30 June 2021. The payment reliefs are considered as short-term liquidity support to address the borrower’s potential cash flow issues. Based on this program, the Company has effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 30 June 2021. The Company has recorded the accounting impact on account of modification of lease term as per the requirements of IFRS 9. The accounting impact upon participation to SAMA deferred payment program is explained in note 18 to the annual financial statements for the year ended 31 December 2020 effecting SAMA deferred payment program for a period up to 31 March 2021. During March 2021, the SAMA has announced extension of the deferred payment program for a period up to 30 June 2021, accordingly, the impact of such extension has been given effect in these condensed financial statements based on the same accounting principles as applied to the annual financial statements for the year ended 31 December 2021. During June 2021, SAMA further extended the deferred payment program for a period up to 30 September 2021. The Company has not received customer confirmation relating to participation to further extension. Accordingly, the Company has not recorded related lease modification losses in the financial statements.

In order to compensate loss on account of lease payment deferral, in the year 2020, the Company received a profit free deposit from SAMA. The Company received SR 10.4 million as refundable deposits from SAMA in April 2021, to compensate loss on account of lease payment deferral for further extension of 3 months period ended on 30 June 2021. As explained in the note 18 to the annual financial statements for the year ended 31 December 2020, the benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. The management has exercised certain judgements in the recognition and measurement of this grant income. The Company has refunded SR 9,443,279 to SAMA during the six months period ended 30 June 2021.

12.1 Deposits from Saudi Central Bank (SAMA)

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Deposits received, net of refunds	44,141,505	42,661,481
Current	29,242,940	19,589,379
Non-current	14,898,565	23,072,102
	44,141,505	42,661,481

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12. PARTICIPATION TO SAMA PROGRAM (Continued)

12.1 Deposits from Saudi Central Bank (SAMA) (Continued)

As at 30 June 2021, the carrying amount for deposits from SAMA includes a notional net gain amounting to SR 1,552,210 (31 December 2020: SR 2,067,731) due to of the benefit of the subsidised funding rate.

Movements in deposits from Saudi Central Bank for six months period ended 30 June and for the year ended 31 December are as follows:

	For the six months period ended 30 June 2021 (Unaudited)	For the six months period ended 30 June 2020 (Unaudited)	For the year ended 31 December 2020 (Audited)
Balance at beginning of the period/year	42,661,481	-	-
Deposits received during the period/year	10,407,782	32,250,000	54,925,001
Repayment of deposits during the period/year	(9,443,279)	-	(10,195,789)
Gain on account of fair value adjustments	(338,882)	(2,507,275)	(3,383,100)
unwinding of initial gain accounted	854,403	198,615	1,315,369
Balance at end of the period/year	<u>44,141,505</u>	<u>29,941,340</u>	<u>42,661,481</u>

12.2 Loss on account of participation to SAMA deferred payment program

	For the six months period ended 30 June 2021 (Unaudited)	For the six months period ended 30 June 2020 (Unaudited)
Gain on account of fair value adjustments for interest free SAMA deposits	(338,882)	(2,507,275)
Unwinding of initial gain accounted on interest free SAMA deposits	854,403	198,615
Loss on account modification of lease contracts payment terms	1,992,640	2,337,707
	<u>2,508,161</u>	<u>29,047</u>

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13. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months period ended 30 June 2021 (Unaudited)	For the three months period ended 30 June 2020 (Unaudited)	For the six months period ended 30 June 2021 (Unaudited)	For the six months period ended 30 June 2020 (Unaudited)
Software maintenance and IT consultancy	57,990	16,073	239,008	47,140
Withholding taxes and non-refundable VAT	43,994	39,539	75,618	64,145
Government fees	33,681	1,242	62,713	1,242
Travel	13,404	-	31,113	500
Subscription and periodicals	5,500	-	27,458	400
Miscellaneous	8,433	17,931	56,846	38,235
	163,002	74,785	492,756	151,662

13.1 PENALTY PAID TO SAMA

In 2020, SAMA performed inspection of the Company and noted certain observations pursuant to which it imposed a penalty of SR 400,000 during the six months period ended 30 June 2021. This penalty has been charged to retained earnings as the inspection took place in 2020 and the observations were shared in the same year. The amount is not material to adjust the annual financial statements for the year ended 31 December 2020.

14. EVENTS AFTER THE REPORTING DATE

There were no significant events between the date of condensed interim financial statements and its approval which requires adjustments /disclosure in these condensed interim financial statements.

15. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved on 23 Dul Hijjah 1442H corresponding to 2 August 2021G.