

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)

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

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

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كي بي إم جي للاستشارات المهنية

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طريق الملك سعود، الصفا
ص.ب 4803
الخبير 31952
المملكة العربية السعودية
المركز الرئيسي الرياض

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

- the condensed statement of financial position as at 30 September 2021;
- the condensed statements of profit or loss and other comprehensive income for the three months and nine months period ended 30 September 2021;
- the condensed statement of changes in shareholders' equity for the nine months period ended 30 September 2021;
- the condensed statement of cash flows for the nine months period ended 30 September 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 رأسمالها (15000000) ريال سعودي مدفوع بالكامل، وقد تم تغيير اسم الشركة من الاسم السابق "شركة كي بي إم جي للقرآن وشركاء محاسبين ومراجعون قانونيون" إلى الاسم الحالي بتاريخ 2021/03/21م. وهي شركة عضو غير شريك في شبكة شركات كي بي إم جي المستقلة والتابعة 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 September 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

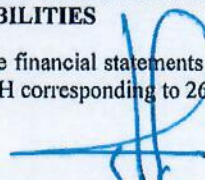


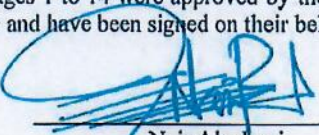
Al Khobar, 21 Rabi Al Awwal 1443H
Corresponding to: 27 October 2021G

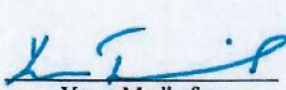
GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021
(Expressed in Saudi Riyals)

	Notes	30 September 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
Non-current assets			
Net investment in finance leases	3	74,691,961	58,210,176
Investment		892,850	892,850
Intangible assets	4	892,082	687,962
Property and equipment		277,273	343,882
Total non-current assets		76,754,166	60,134,870
Current assets			
Current portion of net investment in finance leases	3	42,305,102	32,979,873
Prepayments and other receivables	5	3,270,884	3,006,903
Cash and bank balances	6	96,061,353	122,684,153
Total current assets		141,637,339	158,670,929
TOTAL ASSETS		218,391,505	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		(22,427,522)	(19,269,466)
TOTAL SHAREHOLDERS' EQUITY		168,216,761	171,374,817
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits		236,132	229,065
Deposits from Saudi Central Bank (SAMA)	12.1	32,430,871	23,072,102
Total non-current liabilities		32,667,003	23,301,167
Current liabilities			
Trade payables		91,557	84,404
Accrued expenses and other liabilities		684,439	502,858
Provision for Zakat	9	1,095,179	1,132,728
Due to related parties	7	33,680	197,078
Deposits from Saudi Central Bank (SAMA)	12.1	15,273,320	19,589,379
Advance from customers		329,566	2,623,368
Total current liabilities		17,507,741	24,129,815
TOTAL LIABILITIES		50,174,744	47,430,982
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		218,391,505	218,805,799

These financial statements appearing on pages 1 to 14 were approved by the Board of Directors on 20 Rabi Al Awwal 1443H corresponding to 26 October 2021G and have been signed on their behalf by:


 Ali Abdullah Kanoo
 Director


 Nair Alsulami
 Chief Executive Officer


 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021
(Expressed in Saudi Riyals)

	For the three months period ended 30 September 2021 (Unaudited)	For the three months period ended 30 September 2020 (Unaudited)	For the nine months period ended 30 September 2021 (Unaudited)	For the nine months period ended 30 September 2020 (Unaudited)
INCOME				
Income from operations				
Finance lease income	3,475,732	2,286,106	9,329,384	6,852,136
Income from other activities				
Other income	124,652	1,033,987	415,536	1,628,863
Total income	3,600,384	3,320,093	9,744,920	8,480,999
EXPENSES				
Loss on account of participation to SAMA deferred payment program (note 12.2)	(1,438,411)	(2,766,214)	(3,946,572)	(2,795,261)
Salaries and related expenses	(1,630,237)	(1,388,662)	(4,108,333)	(3,787,296)
Legal and professional charges	(476,745)	(386,115)	(1,065,781)	(832,030)
Rent and related expenses	(251,566)	(123,824)	(606,510)	(355,130)
Depreciation	(24,259)	(49,113)	(84,314)	(133,763)
Amortization (note 4)	(25,710)	(25,992)	(77,130)	(77,129)
Impairment of finance lease receivable	(945,979)	-	(945,979)	(3,336,942)
Other general and administrative expenses (note 13.1)	(454,433)	(87,365)	(947,189)	(239,027)
Insurance expense	(206,110)	(242,057)	(526,549)	(743,590)
Total expenses	(5,453,450)	(5,069,342)	(12,308,357)	(12,300,168)
Loss before Zakat	(1,853,066)	(1,749,249)	(2,563,437)	(3,819,169)
Zakat expense (note 9)	(194,619)	-	(194,619)	(45,097)
Loss for the period	(2,047,685)	(1,749,249)	(2,758,056)	(3,864,266)
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 for the period	(2,047,685)	(1,749,249)	(2,758,056)	(3,864,266)
Loss per share – basic and diluted	(0.21)	(0.18)	(0.28)	(0.39)

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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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	-	-	(3,864,266)	(3,864,266)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(3,864,266)	(3,864,266)
Balance at 30 September 2020	100,000,000	90,644,283	(5,951,757)	184,692,526
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	-	-	(2,758,056)	(2,758,056)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(2,758,056)	(2,758,056)
Balance at 30 September 2021	100,000,000	90,644,283	(22,427,522)	168,216,761

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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021
(Expressed in Saudi Riyals)

	Notes	For the nine months ended 30 September 2021 (Unaudited)	For nine months ended 30 September 2020 (Unaudited)
Cash flows from operating activities			
Loss before Zakat		(2,563,437)	(3,819,169)
<i>Adjustments for:</i>			
- Impairment of finance lease receivable	3.1	945,979	3,336,942
- Depreciation		84,314	133,763
- Amortization	4	77,130	77,129
- Loss on account modification of lease contracts payment terms	12.2	4,660,552	4,498,114
- SAMA deposits – fair value adjustments, net		(713,980)	(1,702,853)
- Write-off of property and equipment		10,475	-
- Employees' end of service benefits		139,509	117,696
		<u>2,640,542</u>	<u>2,641,622</u>
<i>Changes in:</i>			
- Net investment in finance lease		(31,413,545)	(7,416,848)
- Prepayments and other receivables		(263,981)	516,728
- Due to related parties		(163,398)	(7,593)
- Trade payables		7,153	(492,443)
- Advance from customers		(2,293,802)	2,907,054
- Accrued expenses and other liabilities		181,581	123,243
Cash used in operating activities		<u>(31,305,450)</u>	<u>(1,728,237)</u>
Penalty paid to SAMA	13.2	(400,000)	-
Employees' end of service benefits paid		(132,442)	(66,582)
Zakat paid	9(b)	(232,168)	-
Net cash used in operating activities		<u>(32,070,060)</u>	<u>(1,794,819)</u>
Cash flows from investing activities			
Acquisition of property and equipment		(28,180)	(213,089)
Acquisition of intangible assets	4	(281,250)	-
Net cash used in investing activities		<u>(309,430)</u>	<u>(213,089)</u>
Cash flows from financing activities			
Deposits received from SAMA	12.1	18,275,016	32,250,000
Repayment of deposits to SAMA	12.1	(12,518,326)	(81898,482)
Net cash from financing activities		<u>5,756,690</u>	<u>23,351,518</u>
Net (decrease) / increase in cash and cash equivalents		<u>(26,622,800)</u>	<u>21,343,610</u>
Cash and cash equivalents at beginning of the period		122,684,153	94,273,112
Cash and cash equivalent at end of the period	6	<u>96,061,353</u>	<u>115,616,722</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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 September 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
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021
(Expressed in Saudi Riyals)

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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021
(Expressed in Saudi Riyals)

3. NET INVESTMENT IN FINANCE LEASES

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Gross investment in finance lease	141,796,875	130,261,165
Less: Unearned lease finance income	(22,771,097)	(22,500,276)
Net investment in finance leases	119,025,778	107,760,889
Impairment of finance lease receivable	(2,028,715)	(16,570,840)
	116,997,063	91,190,049
Current	(42,305,102)	(32,979,873)
Non-current	74,691,961	58,210,176

During the nine months period ended 30 September 2021, the Company written off SR 15,488,104 in respect of receivable from three delinquent customers.

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

	30 September 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	945,979	14,298,942
Write-off	(15,488,104)	-
	2,028,715	16,570,840

3.2 The maturity of the gross investment in finance leases as at 30 September 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	54,056,782	11,751,680	42,305,102
One to two years	49,364,002	6,934,507	42,429,495
Two to three years	22,897,118	2,888,621	20,008,497
Three to four years	9,992,906	964,885	9,028,021
Four to five years	5,486,067	231,404	5,254,663
	141,796,875	22,771,097	119,025,778

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

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 nine months period ended 30 September 2021, the Company capitalized SR 281,250 as work in progress for ERP software implementation expenses (30 September 2020: Nil). Amortization charge for three and nine months period ended 30 September 2021 amounted to SR 25,710 and SR 77,130 respectively (three and nine months period ended 30 September 2020: SR 25,992 and SR 77,129 respectively).

5. PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Prepaid expenses	470,735	539,302
Accrued interest on short term deposits	17,795	40,041
VAT receivable	1,457,101	1,113,071
Advance to suppliers	1,256,201	1,256,483
Others	69,052	58,006
	<u>3,270,884</u>	<u>3,006,903</u>

6. CASH AND BANK BALANCES

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Cash in hand	180	180
Bank balances	24,864,772	18,962,725
Short term deposits	71,196,401	103,721,248
	<u>96,061,353</u>	<u>122,684,153</u>

Short term deposits are denominated in Saudi Riyals and US Dollars and placed with local banks and are made for varying periods from 1 month to 3 months that carry interest rates ranging from 0.07% to 0.45% per annum. (31 December 2020: 0.10% to 2.00%).

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

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 and Board of Directors of the Company.

Transactions with related parties:

	Relationship	For the nine months period ended 30 September 2021 (Unaudited)	For the nine months period ended 30 September 2020 (Unaudited)
Yusuf Bin Ahmed Kanoo Company Limited			
Expenses paid on behalf of the Company	Shareholder	31,048	-
Purchase of equipment		7,935,000	-
AXA Cooperative Insurance Company			
Purchase of insurance	Other related party	27,964	949,433
Kanoo Travel			
Purchase of travel tickets	Other related party	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 1,314,952 for the nine months period ended 30 September 2021 (30 September 2020: SR 1,398,347). 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 September 2021 (Unaudited)	31 December 2020 (Audited)
Yusuf Bin Ahmed Kanoo Company Limited	31,282	148,992
AXA Cooperative Insurance Company	2,398	2,398
Kanoo Travels	-	45,688
	33,680	197,078

8. SHARE CAPITAL

The pattern of shareholding as of 30 September 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 nine months period ended 30 September comprises of the following:

	30 September 2021 (Unaudited)	30 September 2020 (Unaudited)
Zakat charge for the period	194,619	45,097

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9. ZAKAT (Continued)

b) Provision for Zakat:

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

	For the nine months period ended 30 September 2021 (Unaudited)	For the nine months period ended 30 September 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	194,619	45,097	232,168
Balance at end of the period/year	1,095,179	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. 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 (ACTVDR) who issued a ruling on 29 July 2021 rejecting the Company's appeal. The Company submitted a reconsideration request against the rejection to the ACTVDR on 10 August 2021 for which the outcome is awaited. 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 September 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 Small and Medium Enterprises (“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 31 December 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 31 December 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 announced extension of the deferred payment program for a period up to 30 June 2021 and the program further extended until 31 December 2021 in the month of September 2021, accordingly, the impact of such extension has been incorporated in these condensed interim financial statements based on the same accounting principles as applied to the annual financial statements for the year ended 31 December 2020.

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 extension of 3 months period ended on 30 June 2021. Further, the Company received SR 7.9 million as refundable deposits from SAMA in September 2021 for further extension of the program. 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 12,518,326 to SAMA during the nine months period ended 30 September 2021.

12.1 Deposits from Saudi Central Bank (SAMA)

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Deposits received, net of refunds	47,704,191	42,661,481
Current	15,273,320	19,589,379
Non-current	32,430,871	23,072,102
	47,704,191	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 September 2021, the carrying value for deposits from SAMA is net off with a notional net gain amounting to SR 713,980 (31 December 2020: SR 2,067,731) due to of the benefit of the subsidised funding rate.

Movements in deposits from SAMA for nine months period ended 30 September and for the year ended 31 December are as follows:

	For the nine months period ended 30 September 2021 (Unaudited)	For the nine months period ended 30 September 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	18,275,016	32,250,000	54,925,001
Receivable from SAMA	-	6,939,090	-
Repayment of deposits during the period/year	(12,518,326)	(8,898,482)	(10,195,789)
Gain on account of fair value adjustments	(2,016,439)	(2,064,187)	(3,383,100)
unwinding of initial gain accounted	1,302,459	361,334	1,315,369
Balance at end of the period/year	47,704,191	28,587,755	42,661,481

12.2 Loss on account of participation to SAMA deferred payment program

	For the nine months period ended 30 September 2021 (Unaudited)	For the nine months period ended 30 September 2020 (Unaudited)
Gain on account of fair value adjustments for interest free SAMA deposits	(2,016,439)	(2,064,187)
Unwinding of initial gain accounted on interest free SAMA deposits	1,302,459	361,334
Loss on account of modification of lease contracts payment terms	4,660,552	4,498,114
	3,946,572	2,795,261

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13. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months period ended 30 September 2021 (Unaudited)	For the three months period ended 30 September 2020 (Unaudited)	For the nine months period ended 30 September 2021 (Unaudited)	For the nine months period ended 30 September 2020 (Unaudited)
Software maintenance and IT consultancy	334,570	71,828	573,578	118,968
Withholding taxes and non-refundable VAT	26,247	(44,263)	101,865	19,882
Government fees	48,294	-	111,007	1,242
Travel	8,415	2,880	39,528	3,380
Subscription and periodicals	-	-	27,458	400
Miscellaneous	36,907	56,920	93,753	95,155
	<u>454,433</u>	<u>87,365</u>	<u>947,189</u>	<u>239,027</u>

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 nine months period ended 30 September 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 date which require adjustments /disclosures in these condensed interim financial statements.

15. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved on 20 Rabi Al Awwal 1443H corresponding to 26 October 2021G.