

**GULF FINANCE COMPANY– (Under Liquidation)**  
**(A Saudi Closed Joint Stock Company)**  
**INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE**  
**NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022**  
**AND**  
**INDEPENDENT AUDITOR’S REVIEW REPORT**

**GULF FINANCE COMPANY (Under Liquidation)**  
**(A Saudi Closed Joint Stock Company)**  
**INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022**

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## INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF GULF FINANCE COMPANY

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### INTRODUCTION

We have reviewed the accompanying interim financial statements of Gulf Finance Company (the "Company") which comprise of the statement of net assets as at 30 September 2022 and statement of changes in net assets for the period then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the standard "Financial Reporting on the Basis of Liquidation: Principles and Requirements for Recognition, Measurement, Presentation and Disclosure" endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 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 condensed financial statements 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 interim condensed financial statements are not prepared, in all material respects, in accordance with the standard "Financial Reporting on the Basis of Liquidation: Principles and Requirements for Recognition, Measurement, Presentation and Disclosure" endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

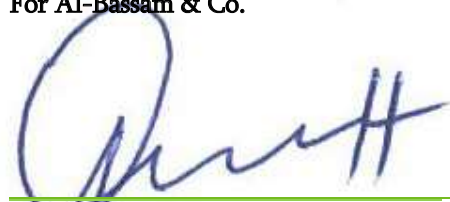
TO THE SHAREHOLDERS OF GULF FINANCE COMPANY

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EMPHASIS OF MATTER – BASIS OF ACCOUNTING AND RESTRICTION ON DISTRIBUTION AND USE

We draw attention to Note 2 in the financial statements which describes the basis of accounting used for the preparation of these interim condensed financial statements. The accompanying interim condensed financial statements have been prepared for management use only. As a result, these interim condensed financial statements may not be suitable for another purpose. Our report is intended solely for that purpose and should not be used by or distributed to any other parties. Our opinion is not modified in respect of this matter

For Al-Bassam & Co.



Ahmed A. Mohandis  
Certified Public Accountant  
License No. 477  
Riyadh: 06 Jumada I 1444H  
Corresponding to: 30 November 2022



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**GULF FINANCE COMPANY (Under Liquidation)**  
**(A Saudi Closed Joint Stock Company)**  
**INTERIM STATEMENT OF NET ASSETS**  
**AS AT 30 SEPTEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

	Notes	30 September 2022 (Unaudited)
<b>ASSETS</b>		
Cash and bank balances		26,108,169
Term deposits		6,179,552
Prepayments and other receivables		13,613
Due from shareholder	4	-
Net investment in Islamic financing	5	103,063,964
Restricted cash deposits		2,267,000
<b>TOTAL ASSETS</b>		<b>137,632,298</b>
<b>LIABILITIES</b>		
Other payables and accruals		2,228,957
Due to a related party	4	579,517
Provision for zakat	7	126,513
Financial facilities	8	102,925,682
Employees' post-employment benefits		892,206
<b>TOTAL LIABILITIES</b>		<b>106,752,875</b>
<b>NET ASSETS (EQUITY)</b>		<b>30,879,423</b>

The accompanying notes 1 to 13 form part of these interim condensed financial statements

**GULF FINANCE COMPANY (Under Liquidation)**  
**(A Saudi Closed Joint Stock Company)**  
**INTERIM STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE NINE-MONTH PERIODS ENDED 30 September 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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	Note	30 September 2022 (Unaudited)
<b>Income from Islamic Financing, Net</b>		<b>9,995,188</b>
Finance cost	9	(8,331,752)
General and administrative expenses		(8,487,605)
Impairment on Islamic financing	5	(26,570,060)
Other Income	10	857,462
Impairment on Liquidation		(1,604,049)
Zakat	7	(132,600)
<b>Net decrease in net assets of liquidation</b>		<b>(34,273,416)</b>
<b>Net assets of liquidation as at 1 January 2022</b>		<b>65,152,839</b>
<b>Net assets of liquidation as at 30 September 2022</b>		<b>30,879,423</b>

The accompanying notes 1 to 13 form part of these interim condensed financial statements

**GULF FINANCE COMPANY (Under Liquidation)**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**1. LEGAL STATUS AND OPERATIONS**

Gulf Finance Company ("the Company") is a Saudi closed Joint-Stock Company formed under the laws of the Kingdom of Saudi Arabia and registered under the commercial registration under No. 1010369744 and unified No. 7013624916 on 28 Dhul Qa'adah 1433H (corresponding to 14 October 2012).

On 15 December 2013 and in accordance with article 6 of the implementing regulations of the law of supervision of finance companies, the Company submitted its application to the Saudi Central Bank (SAMA) to obtain its license as a financing company. On 3 Jumada al-Akhirah 1435H (corresponding to 3 April 2014), the Company obtained the preliminary approval on the license from SAMA. On 16 Safar 1436H (corresponding to 8 December 2014) the Company obtained the license from SAMA to engage in the finance lease activities. The principal of activities of the Company includes financial lease, financing production assets to Small and Medium Enterprises (SMEs).

The Company's Head Office is located at the following address:

Gulf Finance Company  
Al Hokair Holding Group Building,  
Ground Floor, North Ring Road, Al Murooj Area  
P.O. Box 240249  
Riyadh 11322  
Kingdom of Saudi Arabia

On November 01, 2022, the board of directors has passed a resolution to recommend General Assembly to liquidate the company. The notification for the liquidation of the Company has been sent to SAMA respectively.

The Company's activities as per the commercial registration of the Company include:

(a) Wholesale and retail trade in cars and vehicles, trucks, tankers and heavy equipment, electrical and electronic devices and its spare parts in cash and installment; and

(b) Purchase of land for the construction of buildings and the investment of these buildings by selling or leasing them for the benefit of the Company provided that the real estate shall be outside the boundaries of Makkah and Madinah.

The Company has the following branches:

<b>S. No</b>	<b>Branch</b>	<b>C.R. No.</b>	<b>Date</b>
1	Riyadh	7013624916	26 Jumada Al-Awwal 1434H
2	Jeddah*	7001738363	28 Dhul Qada 1433H
3	Dammam**	2050091775	12 Rajab 1434H

\*The Company is in cancellation process of Commercial Registration

\*\*The commercial registration of the branch has been expired. As of 30 September 2022, the branch is not operational.

**GULF FINANCE COMPANY (Under Liquidation)**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**2. BASIS OF PREPARATION**

**2.1. STATEMENT OF COMPLIANCE**

These interim condensed financial statements of the Company have been prepared on the basis of liquidation in accordance with the standard “Financial Reporting on the Basis of Liquidation: Principles and Requirements for Recognition, Measurement, Presentation and Disclosure” endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”), which requires the preparation of a statement of net assets of liquidation and a statement of changes in net assets of liquidation and the accompanying notes thereto.

The results for the Nine-month period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s financial statements for the year ended 31 December 2021.

Assets and liabilities in the interim statement of net assets are presented in the order of liquidity.

**2.2. BASIS OF MEASUREMENT**

These interim condensed financial statements are prepared under the liquidation basis with all the assets and liabilities are measured at realizable values.

**2.3. FUNCTIONAL AND PRESENTATION CURRENCY**

These interim condensed financial statements have been presented in Saudi Riyals (SR) which is the Company's functional and presentation currency. All financial information presented in SR has been rounded to the nearest SR, unless otherwise mentioned.

**3. LIQUIDATION BASIS OF ACCOUNTING**

As a result of the approved liquidation decision, the Company’s liquidation has been considered inevitable; therefore, the liquidation basis of accounting has been applied for the entire financial period, during which the liquidation decision was taken, and the subsequent years/ periods according to the requirements of the standard “Financial Reporting on the Basis of Liquidation: Principles and Requirements for Recognition, Measurement, Presentation and Disclosure”. The liquidation basis is as follows:

1. Measure the Company’s assets at the amount of cash or compensation expected to be collected upon disposal of such assets.
2. Measure the liabilities at the contractual amount due to settle such liabilities
3. Recognize other assets that were not recognized in accordance with the financial reporting framework applicable to the entity when it was a going concern when an estimated value can be determined reliably, and it is expected to be sold in liquidation or settlement of liabilities thereto.
4. Recognize the entitlement of the expected costs to dispose of assets or other items expected to be sold in the liquidation and present them in the statement of net assets of the liquidation deducted from the related assets thereto or present the total of such costs separately from the assets when they can be estimated reliably and whenever the assumptions of this estimate are realizable.
5. Recognize the costs and items of income expected to be incurred or earned (for example, salary costs or income from previous existing orders that the entity expects to complete during liquidation) until the end of the liquidation, when they can be estimated reliably, and the assumptions of that estimate are realizable.
6. Estimated future revenue as at 30 September 2022 is shown under Assets. Expected future costs as at 30 September 2022 are shown under liabilities.



**GULF FINANCE COMPANY (Under Liquidation)**  
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**4. RELATED PARTY TRANSACTIONS AND BALANCES**

Transactions during the year				For the nine-month period ended
Names of Related Parties	Nature of Relationship	Nature of transactions	Note	30 September 2022 (Unaudited)
		Allocation of software and related cost		(37,974)
Gulf Finance Company PJSC – UAE	Shareholder	Allocation of support services relating to IT software		(325,879)
		Repayment by Gulf Finance Company		196,430
Key Management Personnel	Executives	Salaries and other short-term employee benefits		2,272,298
	Directors	Board Remuneration		150,000

**Balances as at the period-end**

	Note	30 September 2022 (Unaudited)
<b>Due from shareholder</b>		
Shuaa Capital PSC, UAE	4.1	9,143,123
		(9,143,123)
		-
<b>Due to a related party</b>		
Shuaa Capital PSC, UAE		376,722
Gulf Finance Company PJSC, UAE		202,795
		579,517

4.1. This represents an unsecured short-term intercompany loan without any asset-backed financing to the Parent Company under an agreement made on 7 February 2019. The loan bears interest of 9.5% per annum and was repayable in 90 days. However, upon the expiry of the term, it was rescheduled by the Company on the request of the Parent Company dated 5 August 2019 for another 180 days and was repayable on 4 November 2019. As at September 30, 2022 the loan has been overdue for more than 720 days. However, full provision for impairment has been recorded.

Furthermore, as disclosed within the annual financial statements for the year ended 31 December 2021 under commitments and contingencies, during the period ended 30 September 2022 a penalty amounting to SR 250,000 was imposed by SAMA with reference to related party loans and paid by the Company accordingly.

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**4. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

**Balances as at the period-end**

**Net investment in Islamic financing**

The Company has entered into certain Islamic financing agreements with the related parties. These related parties are special purpose vehicles of Shuaa Capital KSA. Due from these related parties against outstanding Islamic financing are included within net investment in Islamic financing and are given below:

	<b>Beneficial Owner</b>	<b>Note</b>	<b>30 September 2022 (Unaudited)</b>
Second Coast Company for Commercial Hotels	Dammam Rayhaan Fund I*	4.2	7,886,667
Raibat Al Yasmin Company for Real Estate Investment and Development	Dammam Rayhaan Fund I*	4.2	9,500,000
Shuaa Cayan City Lights for Development & Real Estate Investment Company	Cayan Real Estate Development Fund*	4.2	5,330,783
Fifth Coast Company for Commercial Hotels	SHUAA Saudi Hospitality Fund I*	4.2	3,425,303
First Sabeel Hotels Company	Jeddah Centro Fund I*	4.2	3,425,303
Shuaa Assets Real Estate Development Company	SHUAA Saudi Hospitality Fund I*	4.2	3,425,303
Shuaa Properties Real Estate Development Company	SHUAA Saudi Hospitality Fund I*	4.2	3,425,303
Provision for impairment			<u>(36,418,662)</u>
			<u>-</u>

\* These Funds are managed by SHUAA Capital Saudi Arabia that is Ultimately owned by Shuaa Capital PSC – UAE. The disbursement of loans have been done directly to beneficiary accounts.

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**4. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

4.2. The following represents the terms and conditions of financing provided to related parties.

<b>Secured – Ijara</b>	<b>Note</b>	<b>Relationship</b>	<b>Effective Interest Rate</b>	<b>Tenure</b>	<b>No. of times Rescheduled</b>	<b>Amount Financed</b>
Second Coast Company for Commercial Hotels	4.3	Affiliates	10%	12 months	6	9,500,000
						<b>9,500,000</b>
<b>Unsecured – Murabaha</b>						
Raibat Al Yasmin Company for Real Estate Investment and Development	4.3	Affiliates	10%	12 months	2	9,500,000
Shuaa Cayan City Lights for Development & Real Estate Investment Company	4.4	Affiliates	10%	12 months	3	3,000,000
Shuaa Cayan City Lights for Development & Real Estate Investment Company	4.4	Affiliates	10%	12 months	3	1,855,944
Fifth Coast Company for Commercial Hotels	4.5	Affiliates	10%	24 months	-	3,425,303
First Sabeel Hotels Company	4.5	Affiliates	10%	24 months	-	3,425,303
SHUAA Assets Real Estate Development Company	4.5	Affiliates	10%	24 months	-	3,425,303
SHUAA Properties Real Estate Development Company	4.5	Affiliates	10%	24 months	-	3,425,303
						<b>28,057,156</b>
						<b>37,557,156</b>

- 4.3 During the year 2021, the Company rescheduled the loan without receiving the principal amount and therefore upon rescheduling the Company downgraded the Customer to Stage 3.
- 4.4 During the year 2021, the Company rescheduled the loan without receiving the accrued profit and therefore upon rescheduling the Company downgraded the Customer to Stage 3.
- 4.5 During the period, the Company has disbursed the amount of loans that was exceptionally approved by the Board of Directors and Credit committee considering the related party relationship of the customers. Post disbursement, the loan was reassessed and downgraded to stage 3 with 100% provision.
- 4.6 All related loans issued during the period and available as at 30 September 2022 were issued in contradiction with SAMA guidelines and accordingly SAMA has imposed penalties amounting to SR 250,000. Company is currently in coordination with the Shuaa group for recoveries of the outstanding exposure.

**GULF FINANCE COMPANY (Under Liquidation)**  
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**5. NET INVESTMENT IN ISLAMIC FINANCINGS**

**30 September**  
**2022**  
**(Unaudited)**  
103,063,964

Net investment in Islamic financings

- 5.1.** In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME") as per the definition issued by SAMA. As part of the Deferred Payment Program ("DPP"), the Company deferred payments for 6 months to contracts that qualify as MSME with extending the tenure of the facility.

During the period, SAMA further extended the same for an additional 3 months for qualifying MSME. The accounting impact of these changes in terms of the net investment in Islamic Financing has been assessed and account for as per the requirements of IFRS 9 as a modification in terms of the arrangements. Modification loss has been recognized under other income / (expenses) in interim statement of comprehensive loss.

**6. SHARE CAPITAL**

The Company's subscribed and paid-up share capital of SR. 100,000,000 is divided into 10,000,000 equity shares of SR. 10 each fully subscribed and paid, and distributed among shareholders as follows:

Shareholders	30 September 2022			
	Holding %	No. of Shares	Amount	
Shuaa Capital PSC, UAE	92%	9,200,000	92,000,000	92,000,000
Gulf Finance Company PJSC, UAE	5%	500,000	5,000,000	5,000,000
Shuaa 1 for Commercial Brokerage LLC, UAE	1%	100,000	1,000,000	1,000,000
Shuaa 2 for Commercial Brokerage LLC, UAE	1%	100,000	1,000,000	1,000,000
Shuaa 3 for Commercial Brokerage LLC, UAE	1%	100,000	1,000,000	1,000,000
	<b>100%</b>	<b>10,000,000</b>	<b>100,000,000</b>	<b>100,000,000</b>

**7. PROVISION FOR ZAKAT**

The movement in the provision for zakat is as follows:

	<b>For the Nine-month period ended 30 September 2022 (Unaudited)</b>
Balance at the beginning of the period	209,164
Provided during the period	132,600
Payment during the period	(215,251)
Balance at the end of the period	<u>126,513</u>

**GULF FINANCE COMPANY (Under Liquidation)**  
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**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022**  
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**7. PROVISION FOR ZAKAT (CONTINUED)**

**STATUS OF ASSESSMENTS**

The Zakat returns for the years ended 31 December 2014 till 2017 had been filed and were under review by ZATCA. During the current year, upon finalization of the assessment, demand has been raised by ZATCA of SR 259,618 for the years 2014 till 2017. The first payment of SR 51,923 was made immediately upon receipt of the notice. The remaining amount is payable in equal installments of SR 41,539 from 2019 to 2023 with the first amount paid on 16 December 2019.

The Zakat return for the year ended 31 December 2021 has been filed and are under review with ZATCA. The Company has obtained a certificate from the ZATCA valid until 29 Ramadan 1443H corresponding to 30 April 2022.

**8. FINANCIAL FACILITIES**

	<b>30 September 2022 (Unaudited)</b>
Long-term financial facilities	102,708,125
Finance cost payable	217,557
	<u>102,925,682</u>

**8.1. Secured financial facilities at amortized cost**

	<b>30 September 2022 (Unaudited)</b>
Murabaha	<u>18,136,000</u>

**8.2.** The Company obtained bank financial facilities from a local bank for the purpose of financing working capital needs. These bank facilities bear finance costs at market prevailing rates and also have restricted cash deposits. The Company has collateralized certain Islamic financing receivables in order to obtain these financial facilities.

**9. FINANCE COST**

	Note	<b>For the Nine-month period ended 30 September 2022 (Unaudited)</b>
Islamic financial facilities;	8	
-Zero interest		7,551,203
-Murabaha		723,124
Kafala facility charges		57,425
		<u>8,331,752</u>

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**10. OTHER INCOME**

	Note	<u>For the Nine-month period ended 30 September 2022 (Unaudited)</u>
Government grant on SAMA liquidity support		426,233
Profit on term deposits		250,977
Fee and commission		238,211
Origination fee		251,564
Modification loss on financial assets	5.1	<u>(309,523)</u>
		<u>857,462</u>

**11. ISLAMIC FINANCING RECEIVABLES – SERVICING AND SECURITY AGENCY AGREEMENTS**

In accordance with the terms of servicing and security agency agreement, the Company has transferred certain Islamic financing receivables to the Parent Company. The Company does not retain the risk and reward associated with such receivables.

The Company continues to manage these derecognized Islamic financing receivables as a servicer and security agent in accordance with the agency agreements entered into with the Parent Company. The Company is continuing to manage these sold receivables for an agreed fee which is netted-off with the related cost of servicing these Islamic financing receivables sold to Parent Company.

The outstanding position of such off statement of net assets, Islamic financing receivables is as follows:

	<u>30 September 2022 (Unaudited)</u>	<u>31 December 2021 (Audited)</u>
Islamic financing receivables transferred to the parent company	<u>21,971,090</u>	<u>21,971,090</u>

**12. SUBSEQUENT EVENTS**

On November 01, 2022, the board of directors has passed a resolution to recommend General Assembly to liquidate the company and the same has been communicated to SAMA. Accordingly, these interim condensed financial statements of the company for the period ended September 30, 2022 have been prepared on the basis of liquidation in accordance with the standard “Financial Reporting on the Basis of Liquidation: Principles and Requirements for Recognition, Measurement, Presentation and Disclosure” endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

**13. DATE OF AUTHORIZATION FOR ISSUE**

These interim condensed financial statements were approved and authorized for issue on 29 November 2022G (corresponding to 05 Jumada I 1444H) by the Board of Directors of the Company.