

**GULF FINANCE COMPANY– (Under Liquidation)
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENT
AND
INDEPENDENT AUDITOR’S REVIEW REPORT ON INTERIM
CONDENSED FINANCIAL STATEMENT
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

GULF FINANCE COMPANY (Under Liquidation)
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

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**PKF**Ibrahim Ahmed Al-Bassam
& Co. Certified Public Accountants**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS**

(1 /1)

**TO THE SHAREHOLDERS OF GULF FINANCE COMPANY
CLOSED JOINT STOCK COMPANY****INTRODUCTION**

We have reviewed the accompanying interim statement of net assets of Gulf Finance Company (the "Company") as of 31 March 2023 and the related interim statement of changes in net assets for the three-month period then ended and notes to financial statements including a summary of significant accounting policies and other explanatory notes. 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").

For Al-Bassam & Co.

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GULF FINANCE COMPANY (Under Liquidation)
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF NET ASSETS
AS AT 31 MARCH 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	31 March 2023 (Unaudited)
ASSETS		
Cash and bank balances	4	1,574,223
Prepayments and other receivables		103,311
Net investment in Islamic financing	6	76,798,002
Restricted cash deposits	9.2	2,267,000
TOTAL ASSETS		80,742,536
LIABILITIES		
Other payables and accruals		2,104,252
Due to related parties	5	770,962
Provision for zakat	8	128,696
Financial facilities	9	53,323,664
Employees' post-employment benefits		641,690
TOTAL LIABILITIES		56,969,264
NET ASSETS (EQUITY)		23,773,272

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 THREE-MONTH PERIOD ENDED 31 MARCH 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three month period ended 31 March 2023 (Unaudited)
Income from Islamic financing, net		918,227
Finance cost	10	(344,595)
General and administrative expenses		(1,194,967)
Impairment on islamic financing	6	(174,472)
Other income		3,424
Zakat	8	(2,183)
Net decrease in net assets of liquidation		(794,566)
Net assets of liquidation as at 1 January 2023		24,567,838
Net assets of liquidation as at 31 March 2023		23,773,272

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

GULF FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(All amounts in Saudi Riyals unless otherwise stated)

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 has agreed to a business winding up plan with SAMA. The liquidator might be appointed at the end of the agreed wind-up period.

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

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:

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

*The Company has transferred its head office from Jeddah to Riyadh and now Jeddah is only active branch of company.

**The commercial registration of the branch has expired. As of 31 March 2023, the branch is not operational.

GULF FINANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION

2.1. STATEMENT OF COMPLIANCE

On November 01, 2022, the board of directors passed a resolution to recommend the Shareholder's General Assembly to liquidate the Company and the same has been communicated to SAMA. Accordingly the 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 three-month period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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 2022.

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 estimated 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:

- i. Measure the Company's assets at the amount of cash or compensation expected to be collected upon disposal of such assets.
- ii. Measure the liabilities at the contractual amount due to settle such liabilities
- iii. 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.
- iv. 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.
- v. 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.

GULF FINANCE COMPANY
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FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(All amounts in Saudi Riyals unless otherwise stated)

4. CASH AND BANK BALANCES

	<u>Note</u>	31 March 2023 (Unaudited)
Cash in hand		3,000
Cash at bank	4.1	1,571,223
		<u>1,574,223</u>

4.1. The Company does not earn profit on current accounts with banks.

5. RELATED PARTY TRANSACTIONS AND BALANCES

<u>Transactions during the year</u>				For the three-month period ended 31 March 2023 (Unaudited)
Names of Related Parties	Nature of Relationship	Nature of transactions	Note	
Gulf Finance Company PJSC-UAE	Shareholder	Allocation of support services relating to IT software		(95,723)
Key Management Personnel	Executives	Salaries and other short-term employee benefits		285,492
	Directors	Board Remuneration		37,500

Balances as at the period-end

	<u>Note</u>	31 March 2023 (Unaudited)
Due from shareholder		
Shuaa Capital PSC, UAE	5.1	9,143,123
		<u>(9,143,123)</u>
		-
Due to a related party		
Shuaa Capital PSC, UAE		376,722
Gulf Finance Company PJSC, UAE		394,240
		<u>770,962</u>

5.1. 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 March 31, 2023 the loan has been overdue for more than 900 days. However, full provision for impairment has been recorded.

Furthermore, during the year 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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5. 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:

	Beneficial Owner	Note	31March 2023 (Unaudited)
Second Coast Company for Commercial Hotels	Dammam Rayhaan Fund I*	5.2	7,886,667
Raibat Al Yasmin Company for Real Estate Investment and Development	Dammam Rayhaan Fund I*	5.2	9,500,000
Shuaa Cayan City Lights for Development & Real Estate Investment Company	Cayan Real Estate Development Fund*	5.2	5,330,783
Fifth Coast Company for Commercial Hotels	SHUAA Saudi Hospitality Fund I*	5.2	3,425,303
First Sabeel Hotels Company	Jeddah Centro Fund I*	5.2	3,425,303
Shuaa Assets Real Estate Development Company	SHUAA Saudi Hospitality Fund I*	5.2	3,425,303
Shuaa Properties Real Estate Development Company	SHUAA Saudi Hospitality Fund I*	5.2	3,425,303
Provision for impairment			(36,418,662)
			-

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

GULF FINANCE COMPANY
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5. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

Secured – Ijara	Note	Relationship	Effective Interest Rate	Tenure	No. of times Rescheduled	Amount Financed
Second Coast Company for Commercial Hotels		Affiliates	10%	12 months	6	9,500,000
						9,500,000
Unsecured – Murabaha						
Raibat Al Yasmin Company for Real Estate Investment and Development		Affiliates	10%	12 months	2	9,500,000
Shuaa Cayan City Lights for Development & Real Estate Investment Company		Affiliates	10%	12 months	3	3,000,000
Shuaa Cayan City Lights for Development & Real Estate Investment Company		Affiliates	10%	12 months	3	1,855,944
Fifth Coast Company for Commercial Hotels	5.3	Affiliates	10%	24 months	-	3,425,303
First Sabeel Hotels Company	5.3	Affiliates	10%	24 months	-	3,425,303
SHUAA Assets Real Estate Development Company	5.3	Affiliates	10%	24 months	-	3,425,303
SHUAA Properties Real Estate Development Company	5.3	Affiliates	10%	24 months	-	3,425,303
						28,057,156
						37,557,156

5.3 During the year 2022, the Company had 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 with 100% provision recorded.

5.4 All related loans issued during the 2022 and available as at 31 March 2023 were issued in contradiction with SAMA guidelines and accordingly SAMA has imposed penalties during previous year. The Company is currently in coordination with the Shuaa group for recoveries of the outstanding exposure.

6. NET INVESTMENT IN ISLAMIC FINANCING

	31 March 2023 (Unaudited)
Financial asset carried at amortized cost	
Murabaha	23,078,830
Investment classified as a finance lease	
Ijara	53,719,172
	76,798,002

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6. NET INVESTMENT IN ISLAMIC FINANCING (CONTINUED)

The aging of net investment in Islamic financings contracts net-off unearned origination fee is as under:

	31 March 2023 (Unaudited)
Neither past nor due	36,881,162
Past due 1-30 days	12,731,231
Past due 31-90 days	7,203,231
Past due 91-180 days	11,500,759
Past due 181-365 days	26,532,177
Past due over 1 year	42,274,127
Net Investment in Islamic financing before adjustment of recoverability	137,122,687
Less: Impairment for Islamic financing	(60,324,685)
Net of Impairment loss (Expected realizable value)	76,798,002
Total portfolio coverage ratio	43.99%

7. 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	31 March 2023		
	Holding %	No. of Shares	Amount
Shuaa Capital PSC, UAE	92%	9,200,000	92,000,000
Gulf Finance Company PJSC, UAE	5%	500,000	5,000,000
Shuaa 1 for Commercial Brokerage LLC, UAE	1%	100,000	1,000,000
Shuaa 2 for Commercial Brokerage LLC, UAE	1%	100,000	1,000,000
Shuaa 3 for Commercial Brokerage LLC, UAE	1%	100,000	1,000,000
	100%	10,000,000	100,000,000

8. PROVISION FOR ZAKAT

The movement in the provision for zakat is as follows:

	For the three month period ended 31 March 2023 (Unaudited)
Balance at the beginning of the period	126,513
Provided during the period	2,183
Payment during the period	-
Balance at the end of the period	128,696

The Zakat return for the year ended 31 December 2021 has been filed and is under review with ZATCA. The Company has obtained a certificate from the ZATCA valid until 10 Shawwal 1444H corresponding to 30 April 2023.

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9. FINANCIAL FACILITIES

	31 March 2023 (Unaudited)
SAMA funding for lending	28,738,060
Local banking institution	15,869,000
Social Development Bank	8,499,047
Finance cost payable	217,557
	53,323,664

9.1. Secured financial facilities at amortized cost

	31 March 2023 (Unaudited)
Murabaha	15,869,000

9.2. 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.

9.3. The facility agreements include covenants which among other things require the company to maintain certain financial ratios. As of 31 March 2023, the company was not in compliance of the following three covenants of the facility agreement:

- Maximum leverage ratio to be 2:1
- Minimum current ratio to be 1.25
- Total financing should not exceed 3 * Obligators total equity

As a result, the company has to give legal title of client properties to bank that are pledged from receivables, for that purpose, an agreement is going to be reached between both parties by the end of this year 2023. These security breaches could potentially lead to expedited payment requests from financial institutions.

10. FINANCE COST

	For the three-month period ended 31 March 2023 (Unaudited)
Islamic financial facilities	
-Murabaha	344,595
	344,595

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(All amounts in Saudi Riyals unless otherwise stated)

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:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Islamic financing receivables transferred to the parent company	<u>21,971,090</u>	<u>21,971,090</u>

12. SUBSEQUENT EVENTS

There has been no significant subsequent event since the period end date that require disclosures or adjustment in these interim condensed financial statements.

13. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were approved and authorized for issue on 29 November 2023G (corresponding to 15-Jamada al-Oula-1445H) by the Board of Directors of the Company.