

**GULF FINANCE COMPANY– (Under Liquidation)
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR’S REVIEW REPORT ON
THE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

GULF FINANCE COMPANY (Under Liquidation)
(A Saudi Closed Joint Stock Company)
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**PKF****Ibrahim Ahmed Al-Bassam
& Co. Certified Public Accountants**

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF GULF FINANCE COMPANY
A SAUDI CLOSED JOINT STOCK COMPANY

(1 / 1)

INTRODUCTION

We have reviewed the accompanying statement of net assets of Gulf Finance Company (the "Company") as of 30 September 2023 and the related statement of changes in net assets for the nine-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 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 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 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 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)
STATEMENT OF NET ASSETS
AS AT 30 SEPTEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	30 SEPTEMBER 2023 (Unaudited)	31 DECEMBER 2022 Audited
ASSETS			
Cash and bank balances	5	4,968,823	4,237,700
Other receivables	6	-	103,311
Net investment in Islamic financing	8	60,005,795	87,010,700
Restricted cash deposits	11.2	2,267,000	2,267,000
TOTAL ASSETS		67,241,618	93,618,711
LIABILITIES			
Other payables and accruals		2,002,211	2,247,115
Due to related parties	7	531,194	675,239
Provision for zakat	10	46,269	126,513
Financial facilities	11	39,184,920	65,417,190
Employees' post-employment benefits		703,055	584,816
TOTAL LIABILITIES		42,467,649	69,050,873
NET ASSETS (EQUITY)		24,773,969	24,567,838

The accompanying notes 1 to 19 form part of these financial statements.

GULF FINANCE COMPANY (Under Liquidation)
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN NET ASSETS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the nine-month period ended 30 September 2023 (Unaudited)	For the nine-month period ended 30 September 2022 (Unaudited)
Income from Islamic financing, net		3,854,884	9,995,189
Finance cost	12	(855,034)	(8,331,753)
General and administrative expenses		(4,078,365)	(8,487,605)
Impairment on Islamic financing	8	-	(26,570,060)
Other income	13	1,304,257	857,462
Impairment on liquidation		-	(1,604,049)
Zakat	10	(19,611)	(132,600)
Net Increase/(decrease) in net assets of liquidation		206,131	(34,273,416)
Net assets of liquidation as at 1 January		24,567,838	65,152,839
Net assets of liquidation as at 30 September		24,773,969	30,879,423

The accompanying notes 1 to 19 form part of these financial statements.

GULF FINANCE COMPANY (Under Liquidation)
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26 Jamad-ul-Thani 1444H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26 Jamad-ul-Thani 1444H (corresponding to 19 January 2023). The management is in the process of assessing the impact of the New Companies Law and will amend its By-Laws for any changes to align the Articles to the provisions of the new Law

The Company has agreed to a business winding up plan with SAMA, and it expects to wind up the business in a period of three years. 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
Hamad Tower,
27th Floor, King Fahad Branch Road, Al Olaya Area
P.O. Box 12584
Riyadh 12212
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 30 September 2023, the branch is not operational.

GULF FINANCE COMPANY (Under Liquidation)
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023
(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 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 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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

2.2. BASIS OF MEASUREMENT

These 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 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 (Under Liquidation)
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(All amounts in Saudi Riyals unless otherwise stated)

4. OPENING BALANCES

The opening balances of the liquidation account in the Company's record as at 01 July 2022 are as follows:

Class of assets	Carrying value
Cash and bank balances	4,234,700
Prepayments and other receivables	825,140
Net investments in Islamic financing	120,899,862
Restricted cash deposits	2,267,000
Property and equipment	101,220
Intangible assets	145,064
Investments carried at FVOCI	892,850
Term deposits	10,327,078
Other payables and accruals	(2,642,493)
Due to related parties	(376,722)
Provision for zakat	(126,513)
Financial facilities	(119,917,862)
Employees' post-employment benefits	(841,730)

5. CASH AND BANK BALANCES

	Note	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Cash in hand		3,000	3,000
Cash at bank	5.1	4,965,823	4,234,700
		4,968,823	4,237,700

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

6. OTHER RECEIVABLES

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Other receivables	103,311	103,311
Provision for recoverability	(103,311)	-
	-	103,311

7. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions during the period			For the nine-month period ended	
Names of Related Parties	Nature of Relationship	Nature of transactions	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)
Gulf Finance Company PJSC-UAE	Shareholder	Allocation of support services relating to IT software	(232,677)	(363,853)
	Shareholder	Repayment of Gulf Finance Company	-	196,430
Shuaa Capital PSC, UAE	Shareholder	Loan repayment received	1,000,000	-
Key Management Personnel	Executives	Salaries and other short-term employee benefits	910,512	2,272,298
	Directors	Board Remuneration	87,500	150,000

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7. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Balances as at the period-end

			30 September 2023	31 December 2022
			(Unaudited)	(Audited)
			<u>Note</u>	
Due from shareholder				
Shuaa Capital PSC, UAE	Loan to shareholder	7.1	8,143,123	9,143,123
	Allocation of software and related cost		(376,722)	(376,722)
	Provision for recoverability		7,766,401	8,766,401
			(7,766,401)	(8,766,401)
			-	-
Due to a related party				
Gulf Finance Company PJSC, UAE	Allocation of software and related cost		531,194	298,517
			531,194	298,517

- 7.1.** 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, 2023 the loan has been overdue for more than 1,170 days. However, full provision for recoverability 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.

Net investments 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	30 September 2023	31 December 2022
			(Unaudited)	(Audited)
Second Coast Company for Commercial Hotels	Dammam Rayhaan Fund I*	7.2	7,886,667	7,886,667
Raibat Al Yasmin Company for Real Estate Investment and Development	Dammam Rayhaan Fund I*	7.2	9,500,000	9,500,000
Shuaa Cayan City Lights for Development & Real Estate Investment Company	Cayan Real Estate Development Fund*	7.2	5,330,783	5,330,783
Fifth Coast Company for Commercial Hotels	SHUAA Saudi Hospitality Fund I*	7.2	3,425,303	3,425,303

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7. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	Beneficial Owner	Note	30 September 2023 (Unaudited)	31 December 2022 (Audited)
First Sabeel Hotels Company	Jeddah Centro Fund I*	7.2	3,425,303	3,425,303
Shuaa Assets Real Estate Development Company	SHUAA Saudi Hospitality Fund I*	7.2	3,425,303	3,425,303
Shuaa Properties Real Estate Development Company	SHUAA Saudi Hospitality Fund I*	7.2	3,425,303	3,425,303
Provision for recoverability			(36,418,662)	(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.

7.2. 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	7.3	Affiliates	10%	24 months	-	3,425,303
First Sabeel Hotels Company	7.3	Affiliates	10%	24 months	-	3,425,303
SHUAA Assets Real Estate Development Company	7.3	Affiliates	10%	24 months	-	3,425,303
SHUAA Properties Real Estate Development Company	7.3	Affiliates	10%	24 months	-	3,425,303
						28,057,156
						37,557,156

7.3 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.

7.4 All related loans issued during 2022 and available as at 30 September 2023 were issued in contradiction with SAMA guidelines and accordingly SAMA had imposed penalties during previous year. The Company is currently in coordination with the Shuaa group for recoveries of the outstanding exposure.

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(All amounts in Saudi Riyals unless otherwise stated)

8. NET INVESTMENT IN ISLAMIC FINANCING

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Financial asset carried at amortized cost		
Murabaha	16,910,085	27,235,074
Investment classified as a finance lease		
Ijara	43,095,710	59,775,626
	60,005,795	87,010,700

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

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Neither past nor due	23,795,088	46,461,129
Past due 1-30 days	2,618,374	11,857,208
Past due 31-90 days	9,765,510	16,186,313
Past due 91-180 days	7,630,682	8,436,276
Past due 181-365 days	9,529,628	44,855,650
Past due over 1 year	63,434,916	19,364,337
Net Investment in Islamic financing before adjustment of recoverability	116,774,197	147,160,913
Less: Adjustment of recoverability	(56,768,402)	(60,150,213)
Expected realizable value	60,005,795	87,010,700
Total portfolio coverage ratio	48.61%	40.87%

9. 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 2023		31 December 2022	
	Holding %	No. of Shares	Amount	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
	100%	10,000,000	100,000,000	100,000,000

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(A Saudi Closed Joint Stock Company)
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FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

10. PROVISION FOR ZAKAT

The movement in the provision for zakat is as follows:

	For the nine-month period ended 30 September 2023 (Unaudited)	For the year ended 31 December 2022 (Audited)
Balance at the beginning of the period	126,513	209,164
Provided during the period	46,269	132,600
Payment during the period	(99,854)	(215,251)
Excess accrual reversed during the period	(26,659)	-
Balance at the end of the period	<u>46,269</u>	<u>126,513</u>

The Zakat return for the year ended 31 December 2022 has been filed and is under review with ZATCA. The Company has obtained a certificate from the ZATCA valid until 21 Shawwal 1445H, corresponding to 30 April 2024.

11. FINANCIAL FACILITIES

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
SAMA funding for lending	22,073,600	32,961,406
Local banking institution	13,602,000	15,235,727
Social Development Bank	3,410,994	17,002,500
Finance cost payable	98,326	217,557
	<u>39,184,920</u>	<u>65,417,190</u>

11.1. Secured financial facilities at amortized cost

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Murabaha	<u>13,602,000</u>	<u>15,235,727</u>

11.2. 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.

GULF FINANCE COMPANY (Under Liquidation)
(A Saudi Closed Joint Stock Company)
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(All amounts in Saudi Riyals unless otherwise stated)

12. FINANCE COST

	For the nine-month period ended 30 September 2023 (Unaudited)	For the nine-month period ended 30 September 2022 (Unaudited)
Islamic financial facilities	-	
-Zero interest	-	7,551,203
- Murabaha	855,034	723,124
Kafala facility charges	-	57,425
	<u>855,034</u>	<u>8,331,752</u>

13. Other income

	For the nine-month period ended 30 September 2023 (Unaudited)	For the nine-month period ended 30 September 2022 (Unaudited)
Reversal of provision for recoverability	1,376,722	-
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	-	(309,523)
Other expense	(72,465)	-
	<u>1,304,257</u>	<u>857,462</u>

14. SOURCES AND USES OF CASH

	For the nine-month period ended 30 September 2023 (Unaudited)
<u>Assets sold or realized in cash</u>	
Recoveries during the period	<u>31,866,376</u>
<u>Paid liabilities</u>	
General and administrative expenses	4,113,751
SAMA funding for lending	10,887,806
Local banking institution	3,400,500
Social Development Bank	11,824,733
Finance cost paid	919,983
	<u>31,146,773</u>

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15. FUTURE ESTIMATED INCOME

The future estimated income of the Company until the end of the liquidation amounts to SAR 10,259,879 million. The Company expects to receive the estimated income in a period of three years.

16. FUTURE ESTIMATED EXPENSES

The future estimated expense of the Company until the end of the liquidation amounts to SAR 10,846,613 million. The Company expects to receive the estimated income in a period of three years.

17. 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:

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

18. SUBSEQUENT EVENTS

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

19. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on 20 March 2024G (corresponding to 10th Ramadan, 1445H) by the Board of Directors of the Company.