

**GULF FINANCE COMPANY– (Under Liquidation)
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR’S AUDIT REPORT ON
THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

GULF FINANCE COMPANY (Under Liquidation)
(A Saudi Closed Joint Stock Company)
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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GULF FINANCE COMPANY
[CLOSED JOINT STOCK COMPANY]

(1/3)

RIYADH, KINGDOM OF SAUDI ARABIA
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, the accompanying financial statements present fairly, in all material respect the net asset of the Gulf Finance Company (the “Company”) as at December 31, 2023 and its changes in net assets for the year then ended, in accordance with the standard “Financial Reporting on the Basis of Liquidation: Principles and Requirements for Recognition, Measurement, Presentation and Disclosure” that are issued in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

We have audited the financial statements of the Company, which comprise of the following:

- ◆ The statement of net assets as at 31 December 2023;
- ◆ The statement of changes in net assets for the year then ended; and
- ◆ The notes to the financial statements.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER – BASIS OF ACCOUNTING

We draw attention to Note 3 to the financial statements, which describes the basis of accounting. 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”. Our opinion is not modified in respect of this matter.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GULF FINANCE COMPANY
[CLOSED JOINT STOCK COMPANY]

(2/3)

RIYADH, KINGDOM OF SAUDI ARABIA
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the standard "Financial Reporting on the Basis of Liquidation: Principles and Requirements for Recognition, Measurement, Presentation and Disclosure" that are issued in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by the management; and

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GULF FINANCE COMPANY
[CLOSED JOINT STOCK COMPANY]

(3/3)

RIYADH, KINGDOM OF SAUDI ARABIA
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Al-Bassam & Co.



Sulaiman Bin Dhafir Al Hussain
Certified Public Accountant
License No. 645
Riyadh: 13 Dhul-Qi'dah 1445H
Corresponding to: 21 May 2024



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

	Notes	As at 31 December	
		2023	2022
ASSETS			
Cash and bank balances	5	1,026,448	4,237,700
Other receivables		-	103,311
Net investment in Islamic financing	6	51,441,381	87,010,700
Restricted cash deposit	11.2	2,267,000	2,267,000
TOTAL ASSETS		54,734,829	93,618,711
LIABILITIES			
Other payables and accruals	8	1,772,354	2,247,115
Due to related parties	9	598,646	675,239
Provision for zakat	10	73,871	126,513
Financial facilities	11	29,054,829	65,417,190
Employees' post-employment benefits	12	730,053	584,816
TOTAL LIABILITIES		32,229,753	69,050,873
NET ASSETS (EQUITY)		22,505,076	24,567,838

The accompanying notes 1 to 23 form an integral part of these financial statements.

GULF FINANCE COMPANY (Under Liquidation)
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2023	2022
Income from Islamic financing, net	14	4,710,348	12,202,234
Finance cost	15	(1,128,093)	(8,576,968)
General and administrative expenses	16	(4,784,659)	(9,801,433)
Impairment on Islamic financing	6	(2,601,499)	(33,579,639)
Other income	17	1,788,354	907,456
Impairment on liquidation		-	(1,604,049)
Zakat	10	(47,213)	(132,600)
Net decrease in net assets of liquidation		(2,062,762)	(40,584,999)
Net assets of liquidation as at 1 January		24,567,838	65,152,837
Net assets of liquidation as at 31 December		22,505,076	24,567,838

The accompanying notes 1 to 23 form an integral part of these financial statements.

GULF FINANCE COMPANY (Under Liquidation)
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 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 31 December 2023, the branch is not operational.

GULF FINANCE COMPANY (Under Liquidation)
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 Company's financial year begins on 1 January and ends on 31 December. Contrary to the standards applicable to entities operating on a going concern basis, the "Financial Reporting on the Basis of Liquidation: Principles and Requirements for Recognition, Measurement, Presentation and Disclosure" standard requires estimates for future income and costs, and for the amounts expected to be realized from the realization of assets and settlement of liabilities to the date of the end of the liquidation in accordance with the assumptions regulated by the standard, and that may affect the amounts presented in the financial statements and the accompanying notes thereto. The final amounts realized may differ from such estimates

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)
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

4. MOVEMENT IN NET ASSETS UNDER LIQUIDATION DURING THE YEAR

	As at 1 January 2023	Written-off during the year	Collections	Payments	Expenses directly paid	Other profit and loss movement (Note 4.1)	As at 31 December 2023
ASSETS							
Cash and cash equivalents	4,237,700	(22)	38,171,863	(40,171,409)	(1,211,684)	-	1,026,448
Other receivables	103,311	(103,311)	-	-	-	-	-
Net investment in Islamic financing	87,010,700	(1,185,307)	(38,171,863)	-	-	3,787,851	51,441,381
Restricted cash deposit	2,267,000	-	-	-	-	-	2,267,000
TOTAL ASSETS	93,618,711	(1,288,640)	-	(40,171,409)	(1,211,684)	3,787,851	54,734,829
LIABILITIES							
Other payables and accruals	2,247,115	-	-	(3,703,127)	-	3,228,366	1,772,354
Due to related parties	675,239	-	-	-	-	(76,593)	598,646
Provision for zakat	126,513	-	-	(99,855)	-	47,213	73,871
Financial facilities	65,417,190	-	-	(36,362,361)	-	-	29,054,829
Employees' post-employment benefits	584,816	-	-	(6,066)	-	151,303	730,053
TOTAL LIABILITIES	69,050,873	-	-	(40,171,409)	-	3,350,289	32,229,753
NET ASSETS UNDER LIQUIDATION	24,567,838	(1,288,720)	-	-	(1,211,684)	437,562	22,505,076

4.1. Other profit and loss movement

	2023
Income from Islamic financing, net	4,710,348
Movement in recoverability of net investments in Islamic financing	(922,497)
General and administrative expenses	(3,228,366)
Transactions with related parties, net	76,593
Zakat provided during the year	(73,872)
Excess zakat accrual reversed during the year	26,659
Employees' post-employment benefits charge for the year	(151,303)
	437,562

GULF FINANCE COMPANY (Under Liquidation)
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

5. CASH AND BANK BALANCES

	Note	As at 31 December	
		2023	2022
Cash in hand		3,000	3,000
Cash at bank	5.1	1,023,448	4,234,700
		<u>1,026,448</u>	<u>4,237,700</u>

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

6. NET INVESTMENT IN ISLAMIC FINANCING

	As at 31 December	
	2023	2022
Murabaha	10,844,291	27,235,074
Ijara	40,597,090	59,775,626
	<u>51,441,381</u>	<u>87,010,700</u>

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

	As at 31 December	
	2023	2022
Neither past nor due	8,680,876	46,461,129
Past due 1-30 days	937,187	11,857,208
Past due 31-90 days	7,565,225	16,186,313
Past due 91-180 days	7,557,823	8,436,276
Past due 181-365 days	3,873,076	44,855,650
Past due over 1 year	83,899,904	19,364,337
Net Investment in Islamic financing before adjustment of recoverability	112,514,091	147,160,913
Less: Adjustment of recoverability	(61,072,710)	(60,150,213)
Expected realizable value	<u>51,441,381</u>	<u>87,010,700</u>
Total portfolio coverage ratio	<u>54.28%</u>	<u>40.87%</u>
Non-performing loan ratio	<u>84.73%</u>	<u>49.37%</u>

Collateral held as security and other credit enhancements

The credit risks on gross amounts due in relation to the investment in Islamic financing is mitigated by holding collaterals which are Kafalah and real-estate. Further, the carrying amount of investment in islamic financing amounts against which collateral has been obtained amounts to SR 51.44 million (31 December 2022: SR 87.01 million) and the fair value of collateral amounting to SR 101.09 million as at 31 December 2023 (31 December 2022: SR 196.43 million). The Company is not permitted to sell or repledge the collateral in the absence of default by the lessee. There have not been any significant changes in the quality of the collateral.

GULF FINANCE COMPANY (Under Liquidation)
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

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 December 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

8. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2023	2022
Sharia'a imposed penalties payable	962,819	968,938
Accrued expenses	398,871	483,274
Payable to suppliers	348,864	744,621
Others	61,800	50,282
	1,772,354	2,247,115

9. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions during the year

Names of Related Parties	Nature of Relationship	Nature of transactions	2023	2022
Gulf Finance Company PJSC-UAE	Shareholder	Allocation of IT software and related costs	300,129	450,199
		Repayment of Gulf Finance Company	-	(196,430)
Shuaa Capital PSC, UAE	Shareholder	Loan repayment received	1,000,000	-
		Collection on behalf of Shuaa Capital PSC, UAE	(110,913)	-
Key Management Personnel	Executives	Salaries and other short-term employee benefits	1,252,762	2,696,413
		Employees' post-employment benefits	135,794	82,500
		Directors	Board remuneration	100,000

GULF FINANCE COMPANY (Under Liquidation)
(A Saudi Closed Joint Stock Company)
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FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Balances as at year-end

		Note	As at 31 December	
			2023	2022
Due from shareholder				
Shuaa Capital PSC, UAE	Loan to shareholder	9.1	8,143,123	9,143,123
	Allocation of software and related cost, and collection on behalf of Company		(487,635)	(376,722)
			7,655,488	8,766,401
	Provision for recoverability		(7,655,488)	(8,766,401)
			-	-
Due to a related party				
Gulf Finance Company PJSC, UAE	Allocation of software and related cost		598,646	298,517
			598,646	298,517

- 9.1. 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 December 31, 2023 the loan has been overdue for more than 1,500 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	31 December 2023	31 December 2022
Second Coast Company for Commercial Hotels	Dammam Rayhaan Fund I*	9.2	7,886,667	7,886,667
Raibat Al Yasmin Company for Real Estate Investment and Development	Dammam Rayhaan Fund I*	9.2	9,500,000	9,500,000
Shuaa Cayan City Lights for Development & Real Estate Investment Company	Cayan Real Estate Development Fund*	9.2	5,330,783	5,330,783
Fifth Coast Company for Commercial Hotels	SHUAA Saudi Hospitality Fund I*	9.2	3,425,303	3,425,303
First Sabeel Hotels Company	Jeddah Centro Fund I*	9.2	3,425,303	3,425,303
Shuaa Assets Real Estate Development Company	SHUAA Saudi Hospitality Fund I*	9.2	3,425,303	3,425,303
Shuaa Properties Real Estate Development Company	SHUAA Saudi Hospitality Fund I*	9.2	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.

GULF FINANCE COMPANY (Under Liquidation)
(A Saudi Closed Joint Stock Company)
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FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

9.2. 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	9.3	Affiliates	10%	24 months	-	3,425,303
First Sabeel Hotels Company	9.3	Affiliates	10%	24 months	-	3,425,303
SHUAA Assets Real Estate Development Company	9.3	Affiliates	10%	24 months	-	3,425,303
SHUAA Properties Real Estate Development Company	9.3	Affiliates	10%	24 months	-	3,425,303
						28,057,156
						37,557,156

9.3. 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.

9.4. All related loans issued during 2022 and available as at 31 December 2023 were issued in contradiction with SAMA guidelines and accordingly SAMA had imposed penalties for the same. The Company is currently in coordination with the SHUAA group for recoveries of the outstanding exposure.

10. PROVISION FOR ZAKAT

The movement in the provision for zakat is as follows:

	2023	2022
Balance at the beginning of the year	126,513	209,164
Provided during the year	73,872	132,600
Payment during the year	(99,855)	(215,251)
Excess accrual reversed during the year	(26,659)	-
Balance at the end of the year	73,871	126,513

GULF FINANCE COMPANY (Under Liquidation)
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

10. PROVISION FOR ZAKAT (CONTINUED)

The Zakat returns for the years ended 31 December 2014 till 2017 had been filed and were under review by ZATCA. During 2022, upon finalization of the assessment, demand had 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 was 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 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

	As at 31 December	
	2023	2022
SAMA funding for lending	14,801,163	32,961,406
Local banking institution	12,468,500	17,002,500
Social Development Bank	1,705,506	15,235,727
Finance cost payable	79,660	217,557
	29,054,829	65,417,190

11.1. Secured financial facilities at amortized cost

	As at 31 December	
	2023	2022
Murabaha	12,468,500	17,002,500

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.

12. EMPLOYEES' POST-EMPLOYMENT BENEFITS

The employees' post-employment benefits liability are calculated as per the Saudi Labor Law. The liability includes SR 0.69 million related to key management personnel.

13. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments for the company as at the reporting date.

14. INCOME FROM ISLAMIC FINANCING

	2023	2022
Revenue from main operation		
Income from Ijara	2,368,326	9,469,232
Income from Murabaha	2,342,022	2,733,002
	4,710,348	12,202,234

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15. FINANCE COST

	2023	2022
Islamic financial facilities		
- Zero interest	-	7,551,204
- Murabaha	1,128,093	968,339
Kafala facility charges	-	57,425
	1,128,093	8,576,968

16. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Salaries and allowances	2,513,591	4,710,931
IT expense	529,793	994,218
Professional and consultancy expense	450,313	1,595,953
Value added tax	267,316	630,916
Rent expense	246,745	328,058
Legal fee	225,140	333,896
Outsourced staff	108,797	330,090
Communication	20,764	12,087
Printing and stationery	13,170	21,189
Depreciation on right-of-use assets	-	32,914
Travelling expense	-	58,951
Depreciation of property and equipment	-	33,662
Amortization of intangible assets	-	19,904
Regulatory penalty	-	500,000
Others	409,030	198,664
	4,784,659	9,801,433

17. OTHER INCOME

	2023	2022
Reversal of provision for recoverability	1,487,635	-
Government grant on SAMA liquidity support	-	426,233
Profit on term deposits	-	251,569
Fee and commission	-	240,302
Origination fee	-	298,875
Modification loss on financial assets	-	(309,523)
Other	300,719	-
	1,788,354	907,456

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18. SOURCES AND USES OF CASH

	For the year ended 31 December 2023
<u>Assets sold or realized in cash</u>	
Recoveries during the year	<u>38,171,863</u>
<u>Paid liabilities</u>	
General and administrative expenses	3,946,945
SAMA funding for lending	18,160,243
Local banking institution	4,534,000
Social Development Bank	13,530,221
Finance cost paid	<u>1,211,684</u>
	<u>41,383,093</u>

19. FUTURE ESTIMATED INCOME

The future estimated income of the Company until the end of the liquidation amounts to SAR 3.12 million. The Company expects to receive the estimated income in a period of three years.

20. FUTURE ESTIMATED EXPENSES

The future estimated expense of the Company until the end of the liquidation amounts to SAR 9.66 million. The Company expects the estimated expenses to be paid in a period of three years.

21. 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:

	As at 31 December	
	2023	2022
Islamic financing receivables transferred to the parent company	<u>21,860,177</u>	<u>21,971,090</u>

22. SUBSEQUENT EVENTS

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

23. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on 14 May 2024 (corresponding to Dhul-Qi'dah 6, 1445 H) by the Board of Directors of the Company.