

**GULF FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH AND**  
**NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2021**  
**AND**  
**INDEPENDENT AUDITOR'S REVIEW REPORT**

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**GULF FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2021**

<b><u>Table of Contents</u></b>	<b><u>Page</u></b>
Independent Auditor's Review Report on the Interim Condensed Financial Statements	1
Interim Statement of Financial Position	2
Interim Statement of Comprehensive Income	3
Interim Statement of Changes in Equity	4
Interim Statement of Cash Flows	5
Notes to the Interim Condensed Financial Statements	6-17



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

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

**INTRODUCTION**

We have reviewed the accompanying interim statement of financial position of Gulf Finance Company (the "Company") as at 30 September 2021 and the related interim statement of comprehensive income for the three-month and nine-month periods ended, and the interim statement of changes in equity and interim statement of cash flows for the nine-month period then ended, and 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 International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. 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.

**BASIS FOR QUALIFIED CONCLUSION**

As disclosed under note 6 to the accompanying interim condensed financial statements, during the period, the Company has rescheduled Net Investment in Islamic financing amounting to SR 18,547,640. Upon rescheduling the Company upgraded the respective customers to Stage 1 that is in contravention with the principle requirements under IFRS 9 for Modification of Financial assets. Based on information provided to us by the management, if these impairments were recorded as at 30 September 2021, provision for Net Investment in Islamic Financing would increase by SR 9,908,825, and net income would decrease by SR 9,908,825 for the nine-month period then ended.

**QUALIFIED CONCLUSION**

Based on our review, with the exception of the matter described in the preceding paragraph, 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 IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.

**Ahmed A. Mohandis**  
Certified Public Accountant  
License No. 477



**22 Rabi Al-Awal 1443H  
28 October 2021G  
Riyadh, Kingdom of Saudi Arabia**

**GULF FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

	Notes	30 September 2021 (Unaudited)	31 December 2020 (Audited)
<b>ASSETS</b>			
Cash and bank balances	5	7,797,517	10,759,206
Term Deposits	5	91,415,502	33,039,331
Prepayments and other receivables		1,309,835	1,164,382
Due from a related party	6	8,917,321	8,348,882
Net investment in Islamic financing	7	187,052,630	188,127,000
Restricted cash deposits		2,267,000	355,720
Investment carried at FVOCI		892,850	892,850
Property and equipment		77,216	104,374
Intangible assets		96,602	80,000
Right-of-use assets		49,370	98,741
<b>TOTAL ASSETS</b>		<b>299,875,843</b>	<b>242,970,486</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	8	100,000,000	100,000,000
Statutory reserve		994,257	994,257
Accumulated losses		(4,078,432)	(7,933,496)
Actuarial gain on employees' post-employment benefits		457,878	457,878
<b>TOTAL EQUITY</b>		<b>97,373,703</b>	<b>93,518,639</b>
<b>LIABILITIES</b>			
Other payables and accruals		2,795,434	3,452,799
Lease liabilities		34,423	102,009
Due to a related party	6	14,065	92,340
Provision for zakat	9	1,084,238	476,502
Financial facilities	10	196,866,354	143,667,099
Employees' post-employment benefits		1,707,626	1,661,098
<b>TOTAL LIABILITIES</b>		<b>202,502,140</b>	<b>149,451,847</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>299,875,843</b>	<b>242,970,486</b>
<b>Contingencies and Commitments</b>	13		

The accompanying notes 1 to 17 form part of these interim condensed financial statements

**GULF FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

Note	<i>For the three-month period</i>		<i>For the nine-month period</i>	
	<i>Ended</i>		<i>Ended</i>	
	<b>30 September 2021</b>	<b>30 September 2020</b>	<b>30 September 2021</b>	<b>30 September 2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>INCOME FROM ISLAMIC FINANCING, NET OPERATING (EXPENSES) / INCOME</b>	<b>4,459,661</b>	4,930,737	<b>12,712,012</b>	14,392,926
Finance cost	<b>(1,927,491)</b>	(1,704,474)	<b>(4,773,305)</b>	(3,105,902)
General and administrative expenses	<b>(2,905,701)</b>	(2,988,542)	<b>(8,313,758)</b>	(8,329,457)
Impairment on Islamic financing	7.2 <b>272,071</b>	232,163	<b>(238,783)</b>	(352,725)
Impairment on fair value measurement of assets repossessed held for sale	-	(183,000)	-	(549,000)
Other expense / income, net	12 <b>2,796,142</b>	1,063,966	<b>5,432,807</b>	(1,228,196)
<b>NET OPERATING INCOME BEFORE ZAKAT</b>	<b>2,694,682</b>	1,350,850	<b>4,818,973</b>	827,646
Zakat	9 <b>(537,596)</b>	(81,758)	<b>(963,909)</b>	(165,528)
<b>NET INCOME FOR THE PERIOD</b>	<b>2,157,086</b>	1,269,092	<b>3,855,064</b>	662,118
<b>OTHER COMPREHENSIVE INCOME</b>	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>2,157,086</b>	1,269,092	<b>3,855,064</b>	662,118

The accompanying notes 1 to 17 form part of these interim condensed financial statements

**GULF FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**For the nine-month period ended**  
**30 September 2020**

	Share capital	Statutory reserve	Accumulated Losses	Actuarial gain on post-employment benefits	Total equity
Balance as at 1 January 2020 – Audited	100,000,000	994,257	(2,510,478)	532,397	99,016,176
Comprehensive income for the period	-	-	662,118	-	662,118
<b>Balance as at 30 September 2020 (Unaudited)</b>	<b>100,000,000</b>	<b>994,257</b>	<b>(1,848,360)</b>	<b>532,397</b>	<b>99,678,294</b>

**For the nine-month period ended**  
**30 September 2021**

	Share capital	Statutory reserve	Accumulated Losses	Actuarial gain on post-employment benefits	Total equity
Balance as at 1 January 2021 (Audited)	100,000,000	994,257	(7,933,496)	457,878	93,518,639
Comprehensive income for the period	-	-	3,855,064	-	3,855,064
<b>Balance as at 30 September 2021 (Unaudited)</b>	<b>100,000,000</b>	<b>994,257</b>	<b>(4,078,432)</b>	<b>457,878</b>	<b>97,373,703</b>

The accompanying notes 1 to 17 form part of these interim condensed financial statements

**GULF FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

	Note	For the nine-month period ended	
		30 September 2021 (Unaudited)	30 September 2020 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net operating income before zakat		4,818,973	827,646
<b>Adjustments for:</b>			
Depreciation of right of use assets		49,371	49,371
Depreciation of property and equipment		27,158	29,491
Amortization of intangibles		16,090	798,605
Impairment on Islamic financing	7.1	238,783	352,725
Finance cost	11	4,773,305	3,105,902
Impairment on fair value measurement of assets repossessed held for sale		-	549,000
Government grant on SAMA liquidity support	12	(2,968,907)	(7,654,246)
Government grant on SAMA funding for lending program	12	(4,768,156)	(1,895,567)
Modification gain on financial liabilities	12	-	(1,114,483)
Modification loss on financial assets	12	3,212,912	14,001,723
Loss on the Fair valuation of initial recognition of financial asset	12	785,270	-
Provision for employees' post-employment benefits		131,533	236,281
		<b>6,316,332</b>	<b>9,286,448</b>
<b>(Increase) / decrease in operating assets</b>			
Prepayments and other receivables		(145,453)	325,421
Due from a related party		(568,439)	(2,288,730)
Net investment in Islamic financing		(3,162,595)	(39,006,417)
Restricted cash deposit		(1,911,280)	-
<b>(Decrease) / increase in operating liabilities</b>			
Other payables and accruals		(657,365)	3,844,597
Due to a related party		(78,275)	(20,819)
<b>Cash used in operating activities</b>		<b>(207,075)</b>	<b>(27,859,500)</b>
Zakat paid		(356,173)	(878,893)
Employees' post-employment benefits paid		(85,005)	(17,093)
<b>Net cash used in operating activities</b>		<b>(648,253)</b>	<b>(28,755,486)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of intangible assets		(32,692)	(100,000)
Investment in Term Deposits		(86,415,502)	-
Purchase of property and equipment		-	(6,871)
<b>Net cash used in investing activities</b>		<b>(86,448,194)</b>	<b>(106,871)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from financial facilities		102,170,881	90,086,886
Repayment of financial facilities		(42,056,403)	(9,744,951)
Lease liabilities paid		(70,000)	(35,000)
Finance cost paid		(3,949,051)	(407,858)
<b>Net cash generated from financing activities</b>		<b>56,095,427</b>	<b>79,899,077</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(31,001,020)</b>	<b>51,036,720</b>
Cash and cash equivalents at beginning of the period	5	43,798,537	26,626,908
<b>Cash and cash equivalents at end of the period</b>	5	<b>12,797,517</b>	<b>77,663,628</b>

The accompanying notes 1 to 17 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**  
**(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 register under No. 7013624916 on 28 Dhul Qa'adah 1433H (corresponding to 14 October 2012). On 26 Sha'ban 1435H (corresponding to 24 September 2014), the shareholders resolved to convert the legal status of the company from a limited liability company to a Closed Joint-Stock Company and obtained the necessary approval from the Ministry of Commerce & Investment (MOCI) and the Notary Public.

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

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	21 Ramadan 1439H
3	Dammam*	2050091775	12 Rajab 1434H

\*The commercial registration of the branch has been expired. As of 30 September 2021, the Company is under process of cancellation of these commercial registrations.



**GULF FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**  
**(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 in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The results for the nine-month period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

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 2020.

Assets and liabilities in the interim statement of financial position are presented in the order of liquidity.

**2.2. BASIS OF MEASUREMENT**

These interim condensed financial statements are prepared under the historical cost method except for the following:

- a) Investments measured at fair value;
- b) Employees' post-employment benefits are recognized at the present value of future obligations using the Projected Unit Credit Method.

**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. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS**

In preparing these interim condensed financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

**4. NEW AMENDED STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE:**

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2021 and the details of the same has been explained in annual Financial Statements for the year ended 31 December 2020, but they do not have a material effect on the Company’s interim condensed financial statements.

**GULF FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**5. CASH AND CASH EQUIVALENTS**

	<b>Note</b>	<b>30 September 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
Cash at bank	<b>5.1</b>	<b>7,794,517</b>	10,756,206
Cash in hand		<b>3,000</b>	3,000
Term Deposits – Original maturity of less than 3 months	<b>5.2</b>	<b>5,000,000</b>	33,039,331
		<b><u>12,797,517</u></b>	<b><u>43,798,537</u></b>

**5.1.** The Company does not earn profit on current accounts with banks and financial institutions in accordance with Shari'a rules and principles.

**5.2.** The Company has placed these term deposits with local banks having maturities of less than 3 months. These deposits earn a profit at 1%. These investments are carried at amortized cost

**GULF FINANCE COMPANY**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**6. 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 2021 (Unaudited)	30 September 2020 (Unaudited)
		Allocation of software and related cost		-	(51,542)
		Allocation of other operating expenses		-	(10,831)
Shuaa Capital PSC – UAE	Shareholder – (“Parent Company”)	Finance income	12	568,438	569,478
		Finance income received		-	(1,061,917)
		Commission on collection		-	87,538
		Payment of collections		-	2,776,004
		Collections against disposed-off financing portfolio		-	(20,000)
		Allocation of software and related cost		-	(39,443)
Gulf Finance Company PJSC – UAE	Shareholder	Allocation of other operating expenses		(387,880)	(316,052)
		Repayment by Gulf Finance Company		466,155	376,314
		Profit earned		587,135	712,500
		Write-off*		(44,468)	-
Second Coast Company for Commercial Hotels	Affiliate	Modification loss		(231,959)	-
		Repayment by the related party		-	(390,555)
		Profit earned		426,416	374,522
		Modification loss		(5,172)	(240,972)
		Write-off*		(261,667)	-
		Profit received		(272,222)	(102,403)
		Profit earned		647,653	721,011
		Write-off*		(456,540)	-
		Profit received		(407,018)	-
		Modification loss		(2,462)	(293,023)
		Profit earned		746,366	712,500
		Write-off*		(182,613)	-
		Modification loss		(326,007)	-
		Profit earned		368,255	338,169
		Fee income received		(301,447)	-
		Profit received		(508,094)	(75,000)
		Salaries and other short-term employee benefits		3,114,816	2,690,285
Key Management Personnel	Executives	Board Remuneration		150,000	150,000
	Directors				

\*These write-offs relate to the unreconciled differences and has been approved by the board of directors.

**GULF FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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

**Balances as at the period-end**

	Note	30 September 2021 (Unaudited)	31 December 2020 (Audited)
<b>Due from a related party</b>			
Shuaa Capital PSC, UAE	6.1	8,917,321	8,348,882
<b>Due to a related party</b>			
Gulf Finance Company PJSC, UAE		14,065	92,340

- 6.1.** 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, 2021 the loan has been overdue for more than 360 days. However, since the Company is ultimately owned 100% by Shuaa Capital PSC, UAE, no provision for impairment has been recorded.

**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		30 September 2021 (Unaudited)	31 December 2020 (Audited)
Second Coast Company for Commercial Hotels	Dammam Rayhaan Fund I*	8,083,833	7,773,126
Fifth Coast Company for Commercial Hotels	SHUAA Saudi Hospitality Fund I*	5,295,833	5,408,478
First Sabeel Hotels Company	Jeddah Centro Fund I*	8,049,167	8,267,533
Raibat Al Yasmin Company for Real Estate Investment and Development	Dammam Rayhaan Fund I*	10,523,889	10,286,143
Shuaa Cayan City Lights for Development & Real Estate Investment Company	Cayan Real Estate Development Fund*	5,202,640	5,643,926
		<b>37,155,362</b>	<b>37,379,206</b>

\* These Funds are managed by SHUAA Capital Saudi Arabia that is Ultimately owned by Shuaa Capital PSC – UAE

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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

**6.2.** The following represents the terms and conditions of short-term 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	<b>6.3</b>	Affiliates	10%	12 months	6	9,500,000
Fifth Coast Company for Commercial Hotels	<b>6.4</b>	Affiliates	10%	12 months	2	5,000,000
First Sabeel Hotels Company	<b>6.5</b>	Affiliates	10%	12 months	2	7,600,000
						<u>22,100,000</u>
<b>Unsecured – Murabaha</b>						
Raibat Al Yasmin Company for Real Estate Investment and Development	<b>6.6</b>	Affiliates	10%	12 months	2	9,500,000
Shuaa Cayan City Lights for Development & Real Estate Investment Company	<b>6.7</b>	Affiliates	10%	12 months	3	3,000,000
Shuaa Cayan City Lights for Development & Real Estate Investment Company	<b>6.8</b>	Affiliates	10%	12 months	3	1,855,944
						<u>14,355,944</u>
						<u>36,455,944</u>

- 6.3.** During the period, the Company has rescheduled the loan for an additional period of 3 months under SAMA Program.
- 6.4.** During the period, the Company has rescheduled the loan for a period of 12 months. Accrued profit was received at the time of rescheduling. Upon rescheduling the Company upgraded the Customer to Stage 1.
- 6.5.** During the period, the Company has rescheduled the partial loan for an additional period of 3 months eligible under SAMA Program and the remaining part for a period of 12 months. Accrued profit was received at the time of rescheduling. Upon rescheduling the Company upgraded the Customer to Stage 1.
- 6.6.** During the period, the Company has rescheduled the loan for an additional period of 3 months under SAMA Program.
- 6.7.** During the period the Company has rescheduled the loan for an additional period of 6 months without any asset-backed transaction required under Islamic principles. Accrued profit was received at the time of rescheduling. Upon rescheduling the Company upgraded the Customer to Stage 1.
- 6.8.** During the period the Company has rescheduled the restructured deal for a period of 12 months. This deal was not executed with an asset-backed transaction required under Islamic principles. Accrued profit was received at the time of rescheduling. This deal was also not disbursed initially under Islamic principles. Upon rescheduling the Company upgraded the Customer to Stage 1.

**GULF FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**7. NET INVESTMENT IN ISLAMIC FINANCINGS**

	<b>30 September 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
Gross investment in Islamic financings	215,049,899	229,814,713
Unearned / Deferred Islamic financing income	(23,468,715)	(36,949,255)
Unearned origination fees	(516,874)	(965,561)
Net investment in Islamic financings before provision for impairment	191,064,310	191,899,897
Less: Provision for impairment	(4,011,680)	(3,772,897)
Net investment in Islamic financings	<u>187,052,630</u>	<u>188,127,000</u>

- 7.1.** 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 June 2021, 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 (see note 10). Modification loss has been recognized under other income / (expenses) in interim statement of comprehensive income.

- 7.2.** During the period, the Company has provided financing amounting to SR 10.105 million to Small and Medium-Sized Entities (SME) that qualify for the facility under SAMA funding for lending program on profit rates below-market. These facilities are 95% secured under the Kafala program and these facilities are repayable in 30 monthly installments with the first installment is due after 6 months' grace period from the date of the contract, which are discounted using average market prevailing profit rates for similar financing facilities to determine the fair value. The fair value of these amounts to SR 9.314 million. The difference between financing provided and its fair value is recorded in the interim statement of comprehensive income / (loss) as per the requirements of IFRS 9 (see Note 12).
- 7.3.** The movement in the provision for impairment of Islamic financings during the period is as follows:

	<b>For the nine-month period ended 30 September 2021 (Unaudited)</b>	<b>For the year ended 31 December 2020 (Audited)</b>
Balance at beginning of the period / year	3,772,897	2,885,578
Provided during the period / year	238,783	912,369
Written off during the period / year	-	(25,050)
Balance at the end of the period / year	<u>4,011,680</u>	<u>3,772,897</u>

**GULF FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**8. 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 2021 and 31 December 2020		
	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
	<b>100%</b>	<b>10,000,000</b>	<b>100,000,000</b>

**9. PROVISION FOR ZAKAT**

The movement in the provision for zakat is as follows:

	For the nine-month period ended 30 September 2021 (Unaudited)	For the year ended 31 December 2020 (Audited)
Balance at the beginning of the period / year	476,502	1,045,050
Provided during the period / year	963,909	351,884
Payment during the period / year	(356,173)	(920,432)
Balance at the end of the period / year	<b>1,084,238</b>	<b>476,502</b>

**STATUS OF ASSESSMENTS**

The Zakat returns for the years ended 31 December 2014 till 2017 had been filed and were under review by GAZT. During the current year, upon finalization of the assessment, demand has been raised by GAZT 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. As of 30 September 2021, the remaining installment amount is SR 124,617 (3 installments of SR 41,539 each).

The Zakat return for the year ended 31 December 2020 has been filed and are under review with GAZT. The Company has obtained a certificate from the GAZT valid until 28 Ramadan 1443H corresponding to 30 April 2022.

**10. FINANCIAL FACILITIES**

Note	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Long-term financial facilities	194,620,670	142,243,255
Finance Cost payable	2,245,684	1,423,844
	<b>196,866,354</b>	<b>143,667,099</b>

**GULF FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**FINANCIAL FACILITIES (CONTINUED)**

	<b>30 September 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Current portion</b>		
Long-term financial facilities	<b>74,028,081</b>	58,474,044
<b>Non-current portion</b>		
Long-term financial facilities	<b>120,592,589</b>	83,769,211
	<b>194,620,670</b>	142,243,255

**10.1. Unsecured financial facilities at amortized cost**

	<b>30 September 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Zero-interest loan (Refer Note 10.4, 10.5)	<b>171,950,670</b>	139,974,862

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

	<b>30 September 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Murabaha	<b>22,670,000</b>	2,268,393

**10.3.** 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

**10.4.** During the period, the Company has obtained government financing amounting to SR 10.105 million from SAMA at a zero-profit rate to finance the Small and Medium-Sized Entities (SME) under SAMA funding for a lending program. These financings are repayable in 30 monthly installments with the first installment is due after 6 months' grace period from the date of the contract, which is discounted using average market prevailing profit rates for similar financing facilities. The present value of these amounts to SR 9.208 million. The difference between financing received and its present value is recorded as a government grant and has been accounted for as per the requirements of IFRS.(See note 12)

**10.5.** During the period, the Company has received government financing amounting to SR 4.259 million from SAMA at a zero-profit rate under SAMA liquidity support program. These financings are repayable at the end of 18 months which is discounted using average market prevailing profit rates for similar financing facilities. The present value of these amounts to SR 3.867 million. The difference between financing received and its present value is recorded as a government grant and has been accounted for as per the requirements of IFRS.(See note 12)

**10.6.** During the period, in accordance with the instructions of SAMA, Banks have rescheduled the repayments of the financial facilities by deferring and extending the tenure of the facilities by 3-months. The accounting impact of these changes in terms of the financial facilities has been assessed and account for as per the requirements of IFRS 9 as a modification in terms of the arrangements.



**GULF FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

- 10.7. The facility agreements include covenants which, among other things, require the Company to maintain certain financial ratios. As of 30 September 2021, the Company is in compliance with the covenants of the financing agreements.

**11. FINANCE COST**

	Note	For the nine-month period ended	
		30 September 2021 (Unaudited)	30 September 2020 (Unaudited)
Financial facilities;			
-Zero interest rate	10.1	4,607,087	2,978,073
-Murabaha	10.2	136,738	93,618
Kafala Facility charges		27,066	29,043
Lease Liability		2,414	5,168
		<u>4,773,305</u>	<u>3,105,902</u>

**12. OTHER (EXPENSES) / INCOME, NET**

	Note	For the nine-month period ended	
		30 September 2021 (Unaudited)	30 September 2020 (Unaudited)
Modification gain on financial liabilities		-	1,114,483
Modification loss on financial assets	7.1	(3,212,912)	(14,001,723)
Loss on the Fair valuation of initial recognition of financial asset	7.2	(785,270)	-
Government grant on SAMA liquidity support	10.5	2,968,907	7,654,246
Government grant on SAMA funding for lending	10.4	4,768,156	1,895,567
Finance income on loan to shareholder	6	568,438	569,478
Origination fee		678,857	1,168,558
Profit on term deposits		446,630	283,657
Commission on collection from customers		-	87,538
		<u>5,432,807</u>	<u>(1,228,196)</u>

**13. CONTINGENCIES AND COMMITMENT**

During 2019, the Company has offered a loan to its shareholder Shuaa Capital PSC UAE amounting to SR 8 million as disclosed in Note 6. The loan was provided in contravention of certain of provisions of SAMA as a result the penalties section of the regulation includes possible penalties amounting to SR 250k - SR500k. The Company have submitted a letter dated 27 February 2020 to SAMA explaining the fact pattern, and, yet to receive a formal reply. Due to the inability to measure the amount of obligation with sufficient reliability, no provision for the penalties is recognized in the financial statements as at 30 September 2021.

**14. FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

**GULF FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**14. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

The Company's financial assets consist of cash and bank balances, investment, net investment in Islamic financing, restricted cash deposits and other receivables, its financial liabilities consist of trade payables, financial facilities, due to related party and other liabilities.

The Company's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement

All financial assets and liabilities are measured at amortized cost except investment that are carried at FVOCI. The carrying amounts of all other financial assets and financial liabilities measured at amortized cost approximate to their fair values.

<b>30 September 2021 (Unaudited)</b>	<b>Fair value Level</b>			<b>Total</b>
	<b>1</b>	<b>2</b>	<b>3</b>	
<b>FINANCIAL ASSET</b>				
<b>FVOCI designated</b>				
Investment carried at FVOCI	-	-	892,850	892,850
<b>31 December 2020 (Audited)</b>	<b>Fair value Level</b>			<b>Total</b>
	<b>1</b>	<b>2</b>	<b>3</b>	
<b>FINANCIAL ASSET</b>				
<b>FVOCI designated</b>				
Investment carried at FVOCI	-	-	892,850	892,850

The above financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined:

<b>Financial assets / financial liabilities</b>	<b>Valuation technique(s) and key input(s)</b>	<b>Significant unobservable input(s)</b>	<b>Relationship and sensitivity of unobservable inputs to fair value</b>
Investment carried at FVOCI	Cost	N/A	N/A

**GULF FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**15. 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 financial position Islamic financing receivables is as follows:

	<b>30 September 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
Islamic financing receivables transferred to the parent company	<u>22,250,688</u>	<u>22,260,688</u>

**16. SUBSEQUENT EVENTS**

Subsequent to the reporting date, SAMA has further extended PSFSP for additional 3 months for qualifying MSME.

There have been no other significant subsequent events since the period-ended that would require additional disclosure or adjustment in these interim condensed financial statements.

**17. DATE OF AUTHORIZATION FOR ISSUE**

These interim condensed financial statements were approved and authorized for issue on 26 October 2021G (corresponding to 20 Rab.1 1443H) by the Board of Directors of the Company.