

GULF FINANCE COMPANY– (Under Liquidation)
(A Closed Joint Stock Company)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR’S REVIEW REPORT ON
THE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2024

GULF FINANCE COMPANY (Under Liquidation)
(A Closed Joint Stock Company)
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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF GULF FINANCE COMPANY
CLOSED JOINT STOCK COMPANY

(1 /1)

INTRODUCTION

We have reviewed the accompanying statement of net asset of Gulf Finance Company (the "Company") as at 30 September 2024 and the related statement of changes in net assets for the nine-month period then ended, and a summary of material 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 SOCPA.

For PKF Al Bassam
Chartered Accountants



Sulaiman Bin Dhafir Al Hussain
Certified Public Accountant
License No. 645

Riyadh: 18 Jumada Al-Akhirah 1446H
Corresponding to: 19 December 2024



GULF FINANCE COMPANY (Under Liquidation)
(A Closed Joint Stock Company)
STATEMENT OF NET ASSETS
AS AT 30 SEPTEMBER 2024
(All amounts in Saudi Riyals unless otherwise stated)

	Note	30 September 2024 (Unaudited)	31 December 2023 (Audited)
ASSETS			
Cash and bank balances	5	1,401,676	1,026,448
Net investment in Islamic financing	6	35,263,258	51,441,381
Restricted cash deposit	10.2	2,267,000	2,267,000
TOTAL ASSETS		38,931,934	54,734,829
LIABILITIES			
Other payables and accruals		1,690,864	1,772,354
Due to related parties	8	666,098	598,646
Provision for zakat	9	16,652	73,871
Financial facilities	10	15,110,581	29,054,829
Employees' post-employment benefits		830,207	730,053
TOTAL LIABILITIES		18,314,402	32,229,753
NET ASSETS (EQUITY)		20,617,532	22,505,076

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

GULF FINANCE COMPANY (Under Liquidation)
(A Closed Joint Stock Company)
STATEMENT OF CHANGES IN NET ASSETS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2024
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the nine-month period ended 30 September	
		2024 (Unaudited)	2023 (Unaudited)
INCOME FROM ISLAMIC FINANCING, NET		1,063,216	3,854,884
Finance cost	13	(711,463)	(855,034)
General and administrative expenses		(2,806,660)	(4,078,365)
Impairment on Islamic financing	6	(142,024)	-
Other income		762,917	1,304,257
Zakat	9	(53,530)	(19,611)
Net decrease in net assets of liquidation		(1,887,544)	206,131
Net assets of liquidation as at 1 January		22,505,076	24,567,838
Net assets of liquidation as at 30 September		20,617,532	24,773,969

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

GULF FINANCE COMPANY (Under Liquidation)
(A Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2024
(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 include financial lease, financing production assets to Small and Medium Enterprises (SMEs).

The new Companies Law issued through Royal Decree M/132 on 1 Dhul Hijjah 1443H (corresponding to 30 September 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 2.5 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,
Prince Mohammed Ibn Saad Ibn Abdulaziz Road
Al Aqeeq District
P.O. Box 13515
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 2024, the branch is not operational.

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NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION

2.1. STATEMENT OF COMPLIANCE

On 1 November 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.

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4. MOVEMENT IN NET ASSETS UNDER LIQUIDATION DURING THE PERIOD

	As at 1 January 2024	Collections	Payments	Expenses directly paid	Other profit and loss movement	As at 30 September 2024
ASSETS						
Cash and cash equivalents	1,026,448	17,099,315	(16,818,122)	(668,882)	762,917	1,401,676
Net investment in Islamic financing	51,441,381	(17,099,315)	-	-	921,192	35,263,258
Restricted cash deposit	2,267,000	-	-	-	-	2,267,000
TOTAL ASSETS	54,734,829	-	(16,818,122)	(668,882)	1,684,109	38,931,934
LIABILITIES						
Other payables and accruals	1,772,354	-	(2,710,794)	-	2,629,304	1,690,864
Due to related parties	598,646	-	-	-	67,452	666,098
Provision for zakat	73,871	-	(110,749)	-	53,530	16,652
Financial facilities	29,054,829	-	(13,986,829)	(668,882)	711,463	15,110,581
Employees' post-employment benefits	730,053	-	(9,750)	-	109,904	830,207
TOTAL LIABILITIES	32,229,753	-	(16,818,122)	(668,882)	3,571,653	18,314,402
NET ASSETS UNDER LIQUIDATION	22,505,076	-	-	-	(1,887,544)	20,617,532

4.1. Other profit and loss movement

	For the nine-month period ended 30 September 2024 (Unaudited)
Income from Islamic financing, net	1,063,216
Movement in recoverability of net investments in Islamic financing	(142,024)
General and administrative expenses	(2,629,304)
Transactions with related party	(67,452)
Zakat provided during the period	(16,652)
Zakat provided/adjusted previous year period	(36,878)
Employees' post-employment benefits charge for the period	(109,904)
Finance cost	(711,463)
Other income	762,917
	(1,887,544)

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5. CASH AND BANK BALANCES

	Note	30 September 2024 (Unaudited)	31 December 2023 (Audited)
Cash in hand		3,000	3,000
Cash at bank	5.1	1,398,676	1,023,448
		<u>1,401,676</u>	<u>1,026,448</u>

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

6. NET INVESTMENT IN ISLAMIC FINANCING

	30 September 2024 (Unaudited)	31 December 2023 (Audited)
<u>Secured</u>		
Ijara	31,379,373	40,597,090
Murabaha	3,883,885	9,587,307
	<u>35,263,258</u>	<u>50,540,970</u>
<u>Unsecured</u>		
Murabaha	-	1,256,984
	<u>35,263,258</u>	<u>51,441,381</u>

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

	30 September 2024 (Unaudited)	31 December 2023 (Audited)
Neither past nor due	1,770,923	8,680,876
Past due 1-30 days	329,427	937,187
Past due 31-90 days	7,035,544	7,565,225
Past due 91-180 days	531,917	7,557,823
Past due 181-365 days	1,004,180	3,873,076
Past due over 1 year	<u>85,806,002</u>	<u>83,899,904</u>
Net investment in Islamic financing before adjustment of recoverability	96,477,992	112,514,091
Less: Adjustment of recoverability	<u>(61,214,734)</u>	<u>(61,072,710)</u>
Expected realizable value	<u>35,263,258</u>	<u>51,441,381</u>
Total portfolio coverage ratio	<u>63.45%</u>	<u>54.28%</u>
Non-performing loan ratio	<u>90.53%</u>	<u>84.73%</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 35.22 million (31 December 2023: SR 51.44 million) and the fair value of collateral amounting to SR 101.09 million as at 30 September 2024 (31 December 2023: SR 101.09 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.

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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:

	30 September 2024 (Unaudited)		31 December 2023 (Audited)	
	Holding %	No. of Shares	Amount	Amount
Shareholders				
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. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions during the period

Names of Related Parties	Nature of Relationship	Nature of transactions	For the nine-month period ended	
			30 September 2024 (Unaudited)	30 September 2023 (Unaudited)
Gulf Finance Company PJSC-UAE	Shareholder	Allocation of IT software and related costs	(67,452)	(363,853)
		Repayment of Gulf Finance Company	-	196,430
Shuaa Capital PSC, UAE	Shareholder	Collection on behalf of Shuaa Capital PSC, UAE	(284,242)	-
Key Management Personnel	Executives	Salaries and other short-term employee benefits	1,019,150	924,712
		Employees' post-employment benefits	109,905	72,175
	Directors	Board remuneration	37,500	87,500

Balances as at period-end

	Note	30 September 2024	31 December 2023
		(Unaudited)	(Audited)
Due from shareholder			
Shuaa Capital PSC, UAE	8.1	8,143,123	8,143,123
		(771,877)	(487,635)
		7,371,246	7,655,488
		(7,371,246)	(7,655,488)
		-	-
Due to a related party			
Gulf Finance Company PJSC, UAE		666,098	598,646
		666,098	598,646

- 8.1.** 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 30 September 2024, the loan has been overdue for more than 1,774 days. However, full provision for recoverability has been recorded.

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8. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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 2024 (Unaudited)	31 December 2023 (Audited)
Second Coast Company for Commercial Hotels	Dammam Rayhaan Fund I*	8.2	7,886,667	7,886,667
Raibat Al Yasmin Company for Real Estate Investment and Development	Dammam Rayhaan Fund I*	8.2	9,500,000	9,500,000
Shuaa Cayan City Lights for Development & Real Estate Investment Company	Cayan Real Estate Development Fund*	8.2	5,330,783	5,330,783
Fifth Coast Company for Commercial Hotels	SHUAA Saudi Hospitality Fund I*	8.2	3,425,303	3,425,303
First Sabeel Hotels Company	Jeddah Centro Fund I*	8.2	3,425,303	3,425,303
Shuaa Assets Real Estate Development Company	SHUAA Saudi Hospitality Fund I*	8.2	3,425,303	3,425,303
Shuaa Properties Real Estate Development Company	SHUAA Saudi Hospitality Fund I*	8.2	3,425,303	3,425,303
Provision for recoverability			(36,418,662)	(36,418,662)
			<u>-</u>	<u>-</u>

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

8.2. 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
						<u>9,500,000</u>
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	8.3	Affiliates	10%	24 months	-	3,425,303
First Sabeel Hotels Company	8.3	Affiliates	10%	24 months	-	3,425,303
SHUAA Assets Real Estate Development Company	8.3	Affiliates	10%	24 months	-	3,425,303
SHUAA Properties Real Estate Development Company	8.3	Affiliates	10%	24 months	-	3,425,303
						<u>28,057,156</u>
						<u><u>37,557,156</u></u>

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8. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

- 8.3. 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.
- 8.4. All related loans issued during 2022 and available as at 30 September 2024 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.

9. PROVISION FOR ZAKAT

The movement in the provision for zakat is as follows:

	For the nine-month period ended 30 September 2024 (Unaudited)	For the year ended 31 December 2023 (Audited)
Balance at the beginning of the period / year	73,871	126,513
Provided during the period / year	16,652	73,872
Payment during the period / year	(110,749)	(99,855)
Prior period / (excess) tax adjusted during the period / year	36,878	(26,659)
Balance at the end of the period / year	16,652	73,871

The Zakat return for the year ended 31 December 2023 has been filed and is under review with ZATCA. The Company has obtained a certificate from the ZATCA valid until 02 Zulqiddah 1446H, corresponding to 30 April 2025.

10. FINANCIAL FACILITIES

	30 September 2024 (Unaudited)	31 December 2023 (Audited)
Local banking institution	9,068,000	12,468,500
SAMA funding for lending	6,000,000	14,801,163
Social Development Bank	-	1,705,506
Finance cost payable	42,581	79,660
	15,110,581	29,054,829

10.1. Secured financial facilities at amortized cost

	30 September 2024 (Unaudited)	31 December 2023 (Audited)
Murabaha	9,068,000	12,468,500

- 10.2. 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.

11. EMPLOYEES' POST-EMPLOYMENT BENEFITS

The employees' post-employment benefits liability is calculated as per the Saudi Labor Law. The liability includes SR 0.79 million related to key management personnel.

12. CONTINGENCIES AND COMMITMENTS

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

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13. FINANCE COST

	For the nine-month period ended	
	30 September 2024	30 September 2023
	(Unaudited)	(Unaudited)
Islamic financial facilities		
- Murabaha	711,463	855,034
	711,463	855,034

14. SOURCES AND USES OF CASH

	For the nine-month period ended	
	30 September 2024	30 September 2023
	(Unaudited)	(Unaudited)
<u>Assets sold or realized in cash</u>		
Recoveries during the period	17,862,232	31,866,376
<u>Paid liabilities</u>		
General and administrative expenses	2,710,794	4,113,751
SAMA funding for lending	8,801,163	10,887,806
Local banking institution	3,400,500	3,400,500
Social Development Bank	1,705,506	11,824,733
Finance cost	748,542	919,983
Zakat	110,749	99,854
Employees' post-employment benefits	9,750	-
	17,487,004	31,246,627

15. FUTURE ESTIMATED INCOME

The future estimated income of the Company until the end of the liquidation amounts to SR 0.74 million. The Company expects to receive the estimated income in a period of 2 years.

16. FUTURE ESTIMATED EXPENSES

The future estimated expense of the Company until the end of the liquidation amounts to SR 9.16 million. The Company expects the estimated expenses to be paid in a period of 2 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 2024	31 December 2023
	(Unaudited)	(Audited)
Islamic financing receivables transferred to the parent company	21,575,834	21,860,177

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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 17 December 2024 (corresponding to 16 Jumada Al Akhirah 1446H) by the Board of Directors of the Company.