

Board of Directors Report

For the Year Ended 31, Dec, 2021

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**Gulf Finance is a Closed Joint Stock Company, located in Riyadh Saudi Arabia.
Here follows its annual report and audited financial statements of the company for the year ended
December 31, 2021.**

CEO Letter

We are pleased to present the Board Report for Gulf Finance for the year ended 31st December 2021 reflecting a challenging year with a focus on collection and attracting good quality business.

In line with the government vision 2030 to focus on enhancing the GDP's contribution generated from Small and Medium Enterprises (SME's) which is the core business of Gulf Finance. We continue to strengthen our strategic partnership with Small and Medium Enterprises General Authority (SMEA) and Kafalah Program.

We continue to capitalize on our shareholders primarily Shuaa Capital strength and support for Gulf Finance to become a leader in SME's financing and become one of the top three installment companies in terms of return on investment.

Personally I would like to express my highest appreciation to the Board of Directors for their continuous support and guidance for the company in addition to a special thanks to the most valuable assets The Management of Gulf Finance and staff for their unlimited commitment, drive, and focus.

Dr. Abdulrahman Tolefat

Acting CEO

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Introduction

Our Vision:

Gulf Finance aims to be the leading Shariah based asset finance partner in Saudi Arabia.

Our Mission:

We combine local market knowledge with international expertise, enabling our customers to grow their businesses through informed credit decisions and on time asset delivery in accordance with Shariah.

Our Values:

To help fulfill our brand promise, we abide by a set of core values. These not only define our priorities, but also guide us how our brand thinks and acts.

People First

We build relationships and a community in the workplace and with our customers by being open, receptive and responding to what people want and need.

Continuously Deliver

We are constantly moving, getting things done and aspire to greatness.

Work Smart

We perform at the highest emotional and intellectual level, and ensure we operate as efficiency as possible to come up with the right answer the first time.

In 2021, Gulf Finance stepped closer to achieving its objective of becoming one of the best performing Shariah compliant Finance companies in the Kingdom of Saudi Arabia by strengthening its position as a trusted asset finance provider underpinned by its core values. Gulf Finance is regulated by the Saudi Arabian Monetary Agency with license number 29/ش/201412 dated 16/06/1436H (Corresponding Monday 08/12/2014G). License is renewed for the period of 5 years expiring 14/02/1446H.

Shareholders	No. of Shares	Value of Shares (SR)	(%)
SHUAA Capital PJSC incorporated in the UAE	9,200,000	92,000,000	92%
Gulf Finance Co PJSE incorporated in the UAE	500,000	5,000,000	5%
SHUAA 1 Commercial Broker LLC	100,000	1,000,000	1%
SHUAA 2 Commercial Broker LLC	100,000	1,000,000	1%
SHUAA 3 Commercial Broker LLC	100,000	1,000,000	1%
Total	10,000,000	100,000,000	100%

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Financial Highlights

A. Financial Highlights

- ❖ The company posted net loss of SAR 29.2 Million for the year 2021, posting 439% increase in loss as compared to the previous year net loss of SAR 5.4 Million. The loss is mainly due to the increase in impairment (SAR 32.7m) on financing.
- ❖ Total revenues for the year ended 31 December 2021 reached SAR 17.5 Million, a decrease of 25% compared to the total revenues of 2020 SAR 23.5 Million.
- ❖ Total Expenses increased to SAR 46.7 Million as compared to SAR 28.9 Million in 2020 mainly due to the increase in impairment (SAR 32.7m) on financing.
- ❖ During year 2021, the company incurred finance charges of SAR 7.1 Million, as compared to SAR 2.6 Million in 2020. At 31 December 2021, total bank loans increased to SAR 195.7 (SAR 109.54M proceeds during 2021) from SAR 143.7 Million compared to previous year end.
- ❖ The company made the provisions for lease losses SAR 23.6 Million during the year increasing the accumulated provision to SAR 26.6 Million at the year-end; equal to 17.2% of the net investment in Islamic financing.
- ❖ The net investment in Islamic financing, before provision, reached to SAR 181.3 as compared to SAR 191.9 Million at the end of the previous year, a decrease of 5.5%. This decrease is due to the recovery of SAR 47.9 Million as against the new booking of only SAR 26.2m new business during the year 2021.

The company's comparative financial highlights are as follows:

SAR' Million	2020	2021	% Increase / Decrease
Net Investment in finance leases	188.1	154.8	-18%
Total Assets	243.0	264.9	9%
Total Short and long term loans and debt	143.7	195.7	36%
Shareholder's Equity	93.5	65.2	-30%
Total Revenues	23.5	17.5	-25%
Financial Charges	2.6	7.1	177%
Other Operating Cost	13.1	(5.0)	-138%
General and Administrative Expenses	12.0	11.7	-3%
Impairment of investment in finance lease	0.9	32.7	3487%
Zakat	0.4	0.2	-39%
Net Income / (Loss)	(5.4)	(29.2)	439%

Earnings per share – SAR	(0.54)	(2.92)
Average Return on Equity (%)	-5.63%	-36.84%
Average Return on Assets (%)	-2.42%	-11.51%

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Strategy

Gulf Finance Corporation goal is to be the leading provider of SME finance in Saudi Arabia. To achieve this, our strategy is clearly focused on providing high-quality and flexible, tailor made financial solutions that enable our clients to develop their businesses. We combine local market knowledge with international expertise, enabling our customers to expand their businesses through informed credit decisions and on time asset delivery in accordance with Sharia.

Why Gulf Finance?

- ❖ Strong Local market knowledge backed by international financing expertise
- ❖ Informed and Fast Credit decisions
- ❖ Shariah based
- ❖ Excellence in Customer Service and Administration
- ❖ Experienced and professional management Team

Business Review

the Company disbursed business of SAR 26.2 Million for the year 2021 as compared to SAR 40.3 Million in 2020. Total new customers for the year ended December 31, 2021 was 9 as compared to 7 new customers in 2020. New business yield was at 7.5% in 2021 compared to 10.3% in 2020. Some of the key business highlights of 2021 are as follows:

Key Highlights:

Highlights	2021	2020	Comments
New Business Disbursed	26.2	SAR 40.3M	Decreased by SAR 14.1M as compared to 2020
New to GFC Customers	9	7	Increased by 2 compared to 2020
Number of Deals	10	8	Increased by 2 compared to 2020
Weighted Average Profit Rate	7.5%	10.3%	2.8% lower as compared to 2020
Average Deal Size	SAR 2.62M	SR 5.04M	SR 2.42M lower as compared to 2020

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Sector Analysis

GFC's sectors are classified on the basis of classification system used by Moody's RA system. It may be noted that the Moody's RA system referenced the NAICS 2012 standard. Any additions or deletions of approved sectors require CEO and may (where necessary) Board approval. Credit & Risk Manager monitors sector exposure and reports to Credit & Risk Committee on quarterly basis

Sectors	%
Services	25.6%
Construction	25.6%
Manufacturing	23.6%
Transportation	10.3%
Commerce	7.9%
Health Care	4.4%
Agriculture	2.6%

Geographical Presence

Gulf Finance Corporation currently has head office based in Riyadh along with branch office operating in Jeddah and plan to expand its operations in Eastern Region.

Risk Management

The Company's activities are exposed to a variety of operational and financial risks which mainly include business risk, market risk, credit risk and liquidity risk. The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies. The Board established Credit and Risk Committee to oversee the Company's risk management activities

Operational Risk:

Operational risk is the risk of reduction in earnings and/or value through financial and reputational loss, from inadequate or failed internal processes or system, or from people related or external events. The main areas covered by operational risk are legal, business process, people, change, governance, & customer treatment. The major risk mitigation includes adherence to well-defined operating policies and procedures, hiring qualified personnel, training and development programs, and providing efficient and timely customer services.

Financial Risk:

The Company's activities are exposed to a variety of financial risks which mainly include market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial statements. The Company uses derivatives financial instruments to reduce certain risk exposures. The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management

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framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

Market Risk:

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities or currencies and liquidity in the market.

Market risk comprises of three types of risk: foreign exchange risk, profit rate risk and price risk.

Currency Risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. All the Company's transactions and finance lease arrangements are made in Saudi Riyals except for payable to shareholders and other transactions with shareholders which are in UAE Dirhams. Accordingly, the Company is not exposed to currency risk as both Saudi Riyals and UAE Dirhams are pegged against US Dollars and are exposed to similar fluctuations.

Interest Rate Risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is limited as all the Company's financial assets and significant financial liabilities have fixed interest rates.

Price Risk:

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. As of 31 December 2021 the Company has no investments that are exposed to price risk.

Credit Risk:

The Company monitors the credit quality of the Islamic financing receivables through diversification of activities to avoid undue concentration of risks with individuals or groups. For such purpose, the Company has established exposure limits for single lessees and business sectors. The Company has an effective rental monitoring system which allows it to evaluate customers' creditworthiness and identify potential problem accounts.

An allowance for potential lease losses is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on lease installment that can be reasonably anticipated. The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history.

However, the rating for the quality of the Company's investments cannot be determined due to the fact that the customer base of the Company consist of small business for which such data is not readily available. The concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that

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would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Company incorporates forward-looking information into both its assessment of whether the credit risk of a receivable has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Company's credit risk committee and consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by global monetary authorities and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

Concentrations of credit risk arise when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be affected similarly by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The Company manages its credit risk exposure through diversification of Islamic financing activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses.

Liquidity Risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's financial liabilities primarily consist of trade payables, due to related parties, financial facilities and other payables and accruals. The Company expects to have adequate liquid funds to settle its current liabilities through close monitoring due to both current assets and current liabilities.

Capital Risk Management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The Company's capital structure consists of net debt (financial facilities as detailed in Note 21 off-set by cash, bank balances, and term deposit) and equity of the Company. The Company's policy is to maintain a strong capital base well above the minimum requirements to maintain investor, creditor and market confidence and to sustain future development of the business.

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Further, the Company monitors the aggregate amount of financing offered by the Company on the basis of the regulatory requirements of SAMA. SAMA requires Finance Companies engaged in financing other than real estate, to maintain aggregate financing to capital ratio of three times.

Internal Control System

Gulf Finance risk management has been properly prepared and efficiently executed. The Company Internal control system is subject to constant evaluations and improvements to allow for the identification of any gaps and meet the required level of effectiveness, key control include:

- ❖ Existence of a series of policies and procedures, which are subject to regular updates and reviews by the board members to verify their sufficiency and adequacy.
- ❖ Major important decisions are supervised through committees created for this purpose and to protect the safety and quality of the company assets.
- ❖ Existence of the departments specialized in the fields of audit, compliance control and risk management.
- ❖ Existence of the Audit and Compliance committee in order to contribute to reinforcing the independence of internal and external auditors. The committee receives regular reports about the activities of the departments' subject auditing and compliance. The audit and compliance committee reports its findings to the Board.
- ❖ Regular supervision of the efficiency and sufficiency of the internal control system based on the approval annual audit plan. Aspects of internal control are regularly supervised and tested.

Great attention is paid to the internal control system results and every identified issue is taken into consideration in order to improve the control

Corporate Governance

Corporate Governance Framework

Gulf Finance has a strong corporate governance structure and assures to maintain this high standard throughout the years.

In 2021, The Board has convened 4 board, 4 Credit and Risk Committee, 4 Audit and Compliance, and 1 Nomination and Remuneration Committee Meetings.

However, Gulf Finance strives to maintain the highest standard of Corporate Governance throughout the years.

Gulf Finance believes that robust corporate governance is an important source of differentiation and value added to its clients, stakeholders and shareholders to ensure that the Company is being managed in a fair, responsible and transparent manner.

The company's corporate governance structure and unambiguous updated policies and procedures will help the Company grow while maintaining the highest product quality and encourage innovation that in return benefit clients and shareholders.

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Below is the Board of Directors of Gulf Finance and the meetings convened during the year:

BOARD OF DIRECTORS 2021



Omar Al Jaroudi- Board Chairman

Omar Al Jaroudi, a Saudi national, comes with over 32 years of diversified experience in the fields of commercial and investment banking. He started his career in 1984 with the Saudi French Bank initially in commercial banking and later moved to investment banking.

In 1995, he moved on to help setting up Lebanon Invest, an investment bank which was merged in the year 2000 with Banque Audi SAL after which Mr Al Jaroudi joined SHUAA Capital in March 2007. During this period, he amassed vast and diversified experience, both in the region as well as in Europe, in the areas of investment banking, private equity, asset management, local and regional brokerage, and distribution. He also serves on the board of several companies both in the Middle East and Europe.

Mr Al Jaroudi holds a Master's Degree in Economics from Syracuse University in New York and a Bachelor's Degree in Business Administration from the American University of Beirut.



Bechara Raad, Vice Chairman

Bechara is the Chief Operating Officer at SHUAA Capital psc. He is responsible for overseeing the Group's support and operational functions and ensuring timely provisions and allocation of human, financial and physical resources.

Bechara has nearly 30 years of professional experience, having held several senior positions in the financial services industry, including Chief Operating Officer at Credit Suisse for the Middle East and Africa and Chief Operating Officer at Bank Audi in Saudi Arabia. He also has extensive experience in hi-tech firms and entrepreneurial ventures.

Bechara holds degrees from the American University of Beirut (BE '89), Virginia Tech (MS '90), and INSEAD (MBA '95D).



Turki M. Al Nowaiser, Independent Board Member

Turki is the CEO of Eatpreneurs LLC (A specialized F&B company), Managing Director of AlNowaiser Family Office and a Board Member of several companies.

He received his undergraduate degree from The University of Nottingham and a Masters degree from Glasgow Caledonian University in the UK.

Attendance in 2021

Directors of 2021	18 th Feb	30 th Mar	6 th Jul
Omar Al Jaroudi	✓	✓	✓
Bechara Raad	✓	✓	✓
Abdulrahman Tolefat	✓	✓	✓
Turki Al Nowaiser	✓	✓	✓

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Management Team



Dr. Abdulrahman bin Khalil Tolefat, Acting CEO effective 30 Sep 2021

Independent Board Member untill 30 Sep 2021

Dr. Abdulrahman bin Khalil Tolefat, Independent Board Member, serves as the Chief Executive Officer, Managing Director, and Member of Board of Directors at Nomw Capital. Dr. Tolefat holds a PhD in Islamic Finance from Durham University, an MBA from DePaul University, and a B.Sc in Mathematics from Bahrain University. Dr. Abdulrahman has over 15 years experience in the financial and business sectors especially in Islamic finance, where he held a number of senior positions



Syed ObeidUllah, Finance Manager

Obeidullah has been leading Finance department of Gulf Finance Company since January 2013. He is an experienced Finance Manager with over 25 years of regional experience. Prior to joining GFC, Obeidullah was the Head of Finance at Riyadh Bank auto leasing unit, where he worked for over 3 years.



Hussain Ghazi, Central Region Manager

Hussain is heading the Business development department (Central Region) within GFC since 2018. He has 20 years of solid experience being in managerial positions in - Equipment Support Co. Ltd. Yanal Finance Company (Formerly Saudi ORIX Leasing Company) Ajil Services Financing Co. and various companies in the region. Hussain brings with him a wealth of knowledge and experience in various roles including Operations, Credit, Sales and marketing and other roles. He graduated with a Bachelor in Business Administration from King Faisal University. And Computer Networking Diploma.



Amer Al Bishi, Collections and Western Region Manager

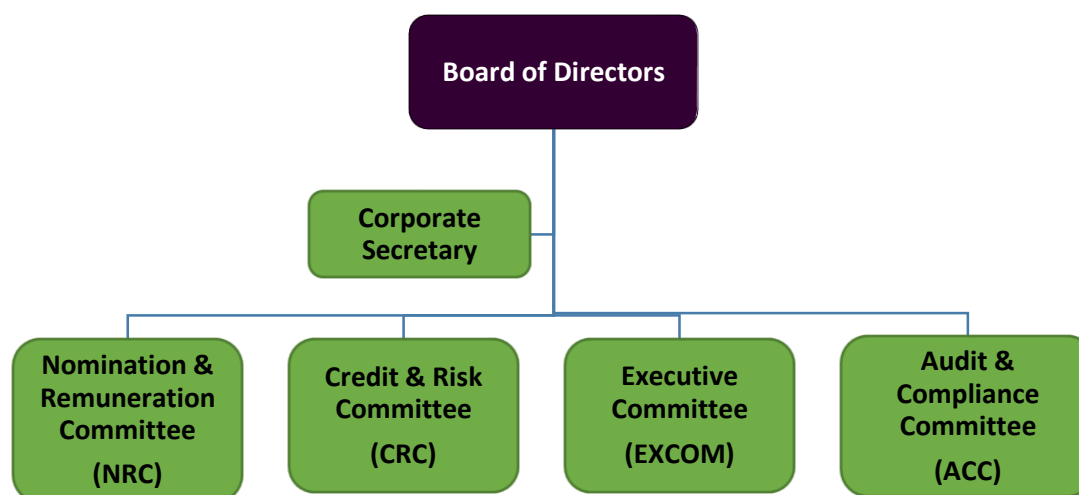
Amer has more than 18 years of experience with Alrajhi bank where he held many positions including Accountant, Sales, Customer Service, and recently in Collection. Prior to joining GFC, Amer was the supervisor of collection department in Aljumaih Company.



Ahmed Almagahslah, Credit Risk Head

Ahmed is the Credit Risk Head. He has over 15 years of credit and risk experience having worked in Tamweel AlOula, Gulf Lifting Financial leasing, Saudi ORIX Leasing Company, and Alawwal Bank.

Board Sub-Committee Structure



1- Audit and Compliance Committee “ACC”

The principal roles of the Audit and Compliance Committee of the Board (“ACC”) are:

1. Monitor the Company’s financial statements and recommend them to the Board
2. Appoint the External auditor and Zakat advisor and recommend them to the Board
3. Approve compliance and internal audit plan
4. Review and approve quarterly and annual internal audit reports
5. Review and approve quarterly and annual compliance reports
6. Assure compliance with all laws and regulations within the company.
7. Review Compliance and AML policies and procedures and assure full adherence to them
8. Review IFRS-9 implementation.

ACC Members

Name of the Member	Position
Dr. Abdulrahman Tolefat	Chairman of the Committee - Independent Board Member
Turki Al Nowaiser	Member- Board Member
Adil Mustafa	Member - Head of Finance of SHUAA Capital UAE

2- Credit and Risk Committee “CRC”

The main roles of the Credit and Risk Committee of the Board (“CRC”) are:

1. Review the key risks (credit, business operations, financial, market, compliance risks).
2. Review collections and overdue analysis.
3. Review sector cap analysis.
4. Review Quarter and annual risk reports
5. Review Credit and Risk policies

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CRC Members

Name of the Member	Position
Omar Al Jaroudi	Chairman of the Committee - Member of the Board
Mohammed Bishara	Member

3- Executives Committee “EXCOM” – (Dissolved: 30 Sep 2021)

The primary objectives of the EXCOM are:

1. Oversee the performance of the company (sales and business development).
2. Review and approve business pipeline.
3. Review the budget of the company.
4. Review and Recommend new funding to the Board.
5. Review the strategy of the Company

EXCOM Members

Name of the Member	Position
Fawad Khan	Chairman of the Committee - Member of the Board
Mustafa Kheriba	Member – Member of the Board
Atif Al Othri	Member– CEO Gulf Finance Saudi Arabia

4- Nomination and Remuneration Committee “NRC” – (Dissolved: 30 Sep 2021)

The principal roles of the Nomination and Remuneration Committee (“NRC”) are:

1. Review the company’s organization structure and Saudization rate.
2. Assure compliance with applicable labor laws.
3. Review the performance of executives and employees.
4. Developing and annually reviewing the human resources and training policies of the Company.
5. Overseeing the procedures for nomination to the Board.
6. Review annually the ongoing suitability of the Company’s policy for remuneration and benefits for senior management, Board of Directors and employees and to ensure that the remuneration and benefits awarded are reasonable and aligned with the performance of the Company and the executive management.
7. Recommend to the Board the annual bonus and sales increments of the year

NRC Members – (Dissolved: 30 Sep 2021)

Name of the Member	Position
Mustafa Kheriba	Chairman of the Committee - Member of the Board
Fawad Khan	Member– Member of the Board
Mohammad Al Sakkaf	Member – Head of HR of SHUAA Capital UAE

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Human Resources

Highlights:

- ❖ Headcount decrease to 19 in Dec 2021 from 20 employees by the end of year 2020.
- ❖ Saudization increased to 84% in Dec 2021 versus 75% at the end of year 2021.
- ❖ Continuing with Bupa for the Sixth year to provide medical coverage to the company's staff.
- ❖ Life insurance contract renewed with SABB Takaful with a contribution of (12K/yr.).

Code of Conduct and Ethics

The code of conduct and ethics outlines the standard of behavior expected from employees of Gulf Finance Corporation. It has been designed to assist employees to understand their responsibilities and obligations and to provide guidance on expected behavior in the workplace especially when faced with an ethical dilemma or conflict of interest at work. The code also aims to assist the company meet its obligations under the regulations of local laws and regulations, safeguard public trust and confidence in the integrity and to outline the professionalism required by all employees with respect to maintaining appropriate standard of conduct, exhibiting fairness, impartiality, honesty and equity in decision making and fostering and protecting the reputation of the company. The code does not seek to encompass all possible scenarios arising from employment with the company. However, it provides a set of principles to guide employees on acceptable and unacceptable behavior. The code should be read in conjunction with the employee handbook.

Board Members and Senior Management Compensation

The following details belong to remuneration and compensation paid to Board Members and Management Team (Below highlighted value is in SAR 000's):

SAR 000's

Details	Executive Board and its Committee Members	Non-Executive Board and its Committee Members	All MANCOM Compensation	Total Remuneration (Five Senior Executives including CEO and CFO)
Salaries and Compensation	Nil	Nil	4,013	3,167
Allowance	Nil	Nil	Nil	Nil
Annual & periodical remuneration	Nil	200	Nil	Nil
Incentives	Nil	Nil	Nil	Nil
Board Benefits & Compensation	Nil	Nil	Nil	Nil

Declaration from the Board

The Board Members confirms that:

- The company prepares its financial statements in accordance with International Financial Reporting Standard "IFRS" as required by the finance lease laws and regulations.
- Proper books of accounts have been maintained.
- There is no existing relationship of any Board Member and Management Team with the existing customers and suppliers of Gulf Finance; except SHUAA Capital Saudi Arabia, SHUAA Capital PSC UAE and their subsidiaries/SPV's.
- Internal Audit Control was efficiently implemented
- There is no doubt about ability of the company to continue the business as a going concern.

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Interest of Board Members and Executive Management

All Board Members of the Company or Management Team, including any person related to them, apart from the remuneration, do not have any interest in the company.

Laws and Regulations Applicable

Gulf Finance adhered to the Saudi Companies' Law, Rules & Regulations of Saudi Central Bank (SAMA). During 2021,

Zakat, Tax and Other Government Payments

The below table displays payment done to government bodies during this year (SAR 000's):

Type of Payment	2020	2021
Zakat	920	481
GOSI	643	590
Visas and Passport – Related	58	36
Tax – (Withholding)	88	84

موضوع المخالفة

السنة المالية 2021		السنة المالية 2020		موضوع المخالفة
إجمالية مبلغ الغرامات المالية بالريال السعودي	عدد القرارات التنفيذية	إجمالية مبلغ الغرامات المالية بالريال السعودي	عدد القرارات التنفيذية	
50,000	2	115,000	3	مخالفة تعليمات البنك المركزي الإشرافية والرقابية
50,000	1			مخالفة تعليمات البنك المركزي الخاصة بحماية العملاء
				مخالفة تعليمات البنك المركزي الخاصة ببذل العناية الواجبة في مكافحة غسل الأموال وتمويل الإرهاب

External Financial Auditor

M/S Bassam Ibrahim (PKF) appointed as external auditors for the year ended 31 December 2021, three quarterly reviews, Qawaem 2021 report upload to MOCI website, group reporting and SAMA annual 2021 prudential certification.

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Financial Reporting Standards

The annual audited financial statements for the year ended 31 December 2021 of Gulf Finance Corporation have been prepared in accordance with International Financial Reporting Standards "IFRS" as issued by the International Accounting Standards Board "IASB".

A. Audited Financials 2021

STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Note	2021	2020
ASSETS			
Cash and bank balances	7	19,315,686	10,759,206
Term deposit	8	86,583,380	33,039,331
Prepayments and other receivables	9	919,638	1,164,382
Due from a related party	10	-	8,348,882
Net investment in Islamic financing	11	154,755,239	188,127,000
Restricted cash deposits	12	2,267,000	355,720
Investment carried at FVOCI	13	892,850	892,850
Property and equipment	14	75,964	104,374
Intangible assets	15	89,968	80,000
Right-of-use assets	16	32,914	98,741
TOTAL ASSETS		264,932,639	242,970,486
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	100,000,000	100,000,000
Statutory reserve	18	994,257	994,257
Accumulated losses		(37,164,052)	(7,933,496)
Actuarial reserve on End-of-service indemnities		1,322,632	457,878
TOTAL EQUITY		65,152,837	93,518,639
LIABILITIES			
Other payables and accruals	19	2,190,248	3,452,799
Lease liabilities	16	35,000	102,009
Due to related party	10	412,094	92,340
Provision for zakat	20	209,164	476,502
Financial facilities	21	195,690,025	143,667,099
End-of-service indemnities	22	1,243,271	1,661,098
TOTAL LIABILITIES		199,779,802	149,451,847
TOTAL EQUITY AND LIABILITIES		264,932,639	242,970,486

STATEMENT OF PROFIT OR LOSS

	Note	2021	2020
INCOME FROM ISLAMIC FINANCING, NET	24	17,548,216	19,788,090
OPERATING (EXPENSES) / INCOME			
Finance cost	25	(7,110,005)	(2,563,370)
General and administrative expenses	26	(11,703,855)	(11,286,049)
Impairment on Islamic financing	11	(23,581,512)	(912,369)
Impairment on Due from related party	10	(9,143,123)	-
Impairment on fair value measurement of assets repossessed held for sale		-	(741,000)
Other income / (expense), net	27	4,973,175	(9,356,436)
NET OPERATING LOSS BEFORE ZAKAT		(29,017,104)	(5,071,134)
Zakat	20	(213,452)	(351,884)
NET LOSS FOR THE YEAR		(29,230,556)	(5,423,018)

STATEMENT OF COMPREHENSIVE LOSS

	Note	2021	2020
NET LOSS FOR THE YEAR		(29,230,556)	(5,423,018)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gain / (loss) on End-of-service indemnities	22.3	864,754	(74,519)
Total other comprehensive income / (loss) for the year		864,754	(74,519)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(28,365,802)	(5,497,537)

STATEMENT OF CHANGES IN EQUITY

<u>31 December 2020</u>	Note	Share capital	Statutory reserve	Accumulated losses	Actuarial reserve on End-of-service indemnities	Total equity
Balance as at 1 January 2020 (Audited)		100,000,000	994,257	(2,510,478)	532,397	99,016,176
Net loss for the year		-	-	(5,423,018)	-	(5,423,018)
Other comprehensive income		-	-	-	(74,519)	(74,519)
Balance as at 31 December 2020		100,000,000	994,257	(7,933,496)	457,878	93,518,639

<u>31 December 2021</u>	Note	Share capital	Statutory reserve	Accumulated losses	Actuarial reserve on End-of-service indemnities	Total equity
Balance as at 1 January 2021	17,18	100,000,000	994,257	(7,933,496)	457,878	93,518,639
Net loss for the year		-	-	(29,230,556)	-	(29,230,556)
Other comprehensive income	22.3	-	-	-	864,754	864,754
Balance as at 31 December 2021		100,000,000	994,257	(37,164,052)	1,322,632	65,152,837

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STATEMENT OF CASH FLOWS

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Operating loss before zakat		(29,017,104)	(5,071,134)
Adjustments for:			
Depreciation of right of use assets	16	65,827	65,827
Depreciation of property and equipment	14	35,313	40,424
Amortization of intangible assets	15	22,724	803,605
Finance cost	25	7,110,005	2,563,370
Impairment on Islamic financing	11	23,581,512	912,369
Impairment on Due from related party	10	9,143,123	-
Impairment on fair value measurement of assets repossessed held for sale		-	741,000
Provision for operational loss	26	-	266,910
Provision for End-of-service indemnities	22	488,544	409,232
Modification loss on financial assets	27	4,413,023	16,244,645
Loss on the fair valuation of initial recognition of financial assets	27	1,702,571	1,548,290
Government grant on SAMA liquidity support	27	(6,840,014)	(2,753,920)
Government grant on SAMA funding for lending program	27	(1,929,290)	(1,819,795)
Modification gain on financial liabilities	27	-	(1,177,583)
Accrued Income on Term Deposits	8	(224,040)	(39,331)
(Increase) / decrease in operating assets		244,744	192,040
Prepayments and other receivables		(760,000)	(2,472,406)
Due from a related party		3,674,655	(39,408,405)
Net investment in Islamic financing		(1,911,280)	-
Restricted cash deposit			
(Decrease)/increase in operating liabilities		(1,262,551)	(419,575)
Other payables and accruals		285,513	(15,331)
Due to related party			
Cash generated from / (used in) operating activities		8,823,275	(29,389,768)
Zakat paid	20	(480,790)	(920,432)
End-of-service indemnities paid	22.4	(96,539)	(17,500)
Net cash generated from / (used in) operating activities		8,245,946	(30,327,700)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	14	(6,903)	(6,870)
Purchase of Term Deposits	8	(119,359,340)	(33,000,000)
Encashment of Term Deposits		33,000,000	-
Purchase of intangible assets	15	(32,692)	(100,000)
Net cash used in investing activities		(86,398,935)	(33,106,870)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from financial facilities		109,540,453	58,676,509
Repayment of financial facilities		(51,168,874)	(9,962,264)
Finance cost paid		(4,631,441)	(1,077,377)
Lease liabilities paid	16	(70,000)	(70,000)
Net cash generated from financing activities		53,670,138	47,566,868
Net decrease in cash and cash equivalents		(24,482,851)	(15,867,702)
Cash and cash equivalents at beginning of the year	6	43,798,537	26,626,908
Cash and cash equivalents at end of the year	6	19,315,686	10,759,206