



الخليج للتمويل
GULF FINANCE

Gulf Finance Corporation

Annual Report 2015

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Gulf Finance Corporation is a Closed Joint Stock Company, incorporated in Jeddah, Kingdom of Saudi Arabia. Here follows its annual report and audited financial statements of the Company for the year ended December 31, 2015.

A. 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 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 efficiently as possible to come up with the right answer the first time.

In 2015 Gulf Finance stepped closer to achieving its objective of becoming one of the best performing Shari'ah 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 29/12/2014 dated 16/02/1436 H (corresponding Monday 08/12/2014G).

The table below illustrates the company's shareholders and number of shares, and ownership percentage:

Shareholders	No. of Shares	Value of shares (SR)	(%)
SHUAA Capital PJSC incorporated in the UAE	9,200,000	92,000,000	92%
Gulf Finance Corporation PJSC 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%

B. Chairman Letter



I am pleased to present the Board report for Gulf Finance for the year ended 31 December 2015 reflecting another year of excellent progress for our company on many fronts. Our net operating profits have grown by 53 % from SAR 3.0 Million to SAR 4.5 Million due to increased origination of high quality new business.

Overall, our Investment in Finance leases increased from 120 Million to 196 Million. Our lease portfolio has performed well reflecting our conservative underwriting approach and prudent credit policies.

In 2015 we successfully rebranded the company, "Small Business is our Business", clearly aligning ourselves with supporting small and medium enterprises (SMEs) across the Kingdom. We moved to new high specification offices in both Jeddah and Riyadh providing a high quality working environment for our employees. We implemented a state of the art loan origination and management system that should provide a stable platform for our future growth.

The above performance has been complemented by increased Saudization in our staff pool to 57% as we continue to invest in our human capital.

I would like to extend my thanks to the board of directors and the management of the company for their effort in 2015.

Thamer A. Jan



C. Chief Executive Officer letter



The year of 2015 saw significant progress for Gulf Finance. Our lease portfolio grew from 139 Million to 232 Million through increased distribution capability as we grew our sales force to capitalize on the market demand for Shariah compliant leased assets. We actively diversified our portfolio away from contracting and construction sectors reducing the concentration from 45% to 40% as we introduced innovative deals in the transportation and warehousing sectors with our light trucks and vehicles offering. We strengthened our relationships with suppliers and key equipment vendors across the Kingdom.

Going forward into 2016 we shall continue to adopt a conservative underwriting policy as the external economy suffers headwinds due to the lower oil prices and tightening liquidity in the market. We shall remain vigilant and alert to the emerging risks through our rigorous risk management processes. I would like to thank our customers for their support and our dedicated staff for their hard work and commitment in 2015.

David Hunt

A handwritten signature in dark ink, appearing to read "David Hunt". The signature is stylized with a large, flowing "D" and a series of loops and strokes for the rest of the name.

D. Financial Highlights

The company posted net income of SAR 4.6 million for the year 2015, posting an impressive 53% growth rate in profitability as compared to the previous year net income SAR 3.0 million.

Total revenues for the year-ended 31 December 2015 reached SAR 23.6 million, an increase of 42% compared to the total revenues of 2014 SAR 16.6 million.

Total expenses increased to SAR 20.4 million as compares to SAR 14.2 million in 2014 as we invested in new premises, additional business development staff and upgraded our IT systems.

During 2015 the company incurred finance charges of SAR 3.38 million, an increase of 189% compared to SAR 1.17 million in 2014 due to funding growth through bank financing. At 31 December 2015, total bank loans reached to SAR 62.6 million from SAR 22.4 million.

The company made provisions for lease losses of SAR 0.54 million during the year taking the accumulated provision to SAR 2.5 million at the year-end ; equal to 1.3% of net investment in lease finance.

The net investment in finance leases, before provision, reached to SAR 233 million as compared to SAR 139 million at the end of previous year, a growth of 68%.

The Company's comparative financial highlights are as follows:

SAR' million	2013	2014	2015	% Increase / Decrease
Net investment in finance leases	102.05	119.5	195.4	64%
Total assets	118.79	138.1	244.9	77%
Total short and long term loans and debt	-	22.4	62.6	180%
Shareholder's Equity	98.69	101.7	106.3	5%
Total revenues	7.16	17.4	25.0	44%
Finance charges	0.01	1.2	3.4	189%
Other operating costs	0.40	1.4	2.6	85%
General and administrative expenses	7.85	10.1	13.9	38%
Impairment of investment in finance leases	0.21	1.8	0.5	-70%
Net Income	(1.31)	3.0	4.6	53%
Earnings per share - SAR	(0.13)	0.30	0.46	
Average Return on Equity (%)	-2.66%	3.00%	4.42%	
Average Return on Assets (%)	-2.21%	2.34%	2.40%	

E. 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

F. Business Review

SAMA has approved the renewal of the following three Gulf Finance products:

1. Ijarah Financial lease
2. Ijarah Production assets financing
3. Ijarah SME business financing

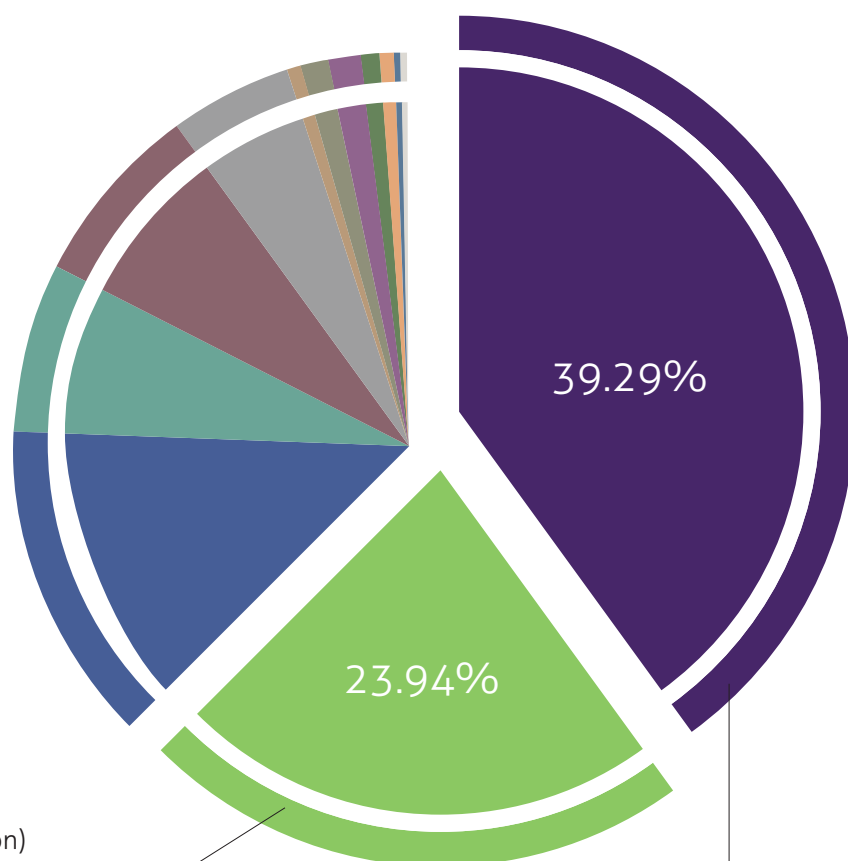
The Company disbursed business of SR 152.9 million for the year 2015 as compared to SR 65.7 million for 2014. Total new customers for the year ended December 31, 2015 reached 142 as compared to 30 new customers in 2014. New business yield was at 15.43% in 2015 compared to 14.8% in 2014. Some of the key business highlights of 2014 are as follows:

Key highlights:

Highlights	2015	2014	Comments
New Business Disbursed	SR 152.9 M	SR 65.7 M	SR 87.2 M above as compared to 2014
New to GFC Customers	142	30	112 above as compared to 2014
Number of Deals	202	66	136 above as compared to 2014
Weighted Average Profit Rate	15.43%	14.8%	0.63% higher as compared to 2014 also higher than forecast for 2015 by 1.68%.
Average Deal Size	SR 757 K	R 995 K	SR 238K below as compared to 2014
Ratio of Business originated from New Customers versus Existing Customers	3 times	1.1 times	2015- New: 115.6M; Existing: 37.4M 2014- New: 34.6M; Existing: 31.1M

Sector Analysis

- Construction
- Manufacturing
- Transportation and Warehousing
- Wholesale Trade
- Real Estate and Rental and Leasing
- Administrative and Support and Waste Management and Remediation Services
- Information
- Retail Trade
- Health Care and Social Assistance
- Mining
- Educational Services
- Accommodation and Food Services
- Other Services (except Public Administration)



8.76%	Ready-mix concrete manufacturing
2.43%	Folding paperboard box manufacturing
2.05%	Bottled water manufacturing
1.91%	Cut stone and stone product manufacturing
1.89%	Concrete block and brick manufacturing
1.17%	Asphalt paving mixture and block manufacturing
1.03%	Other concrete product manufacturing
1.00%	All other miscellaneous nonmetallic mineral product manufacturing
0.99%	All other converted paper product manufacturing
0.54%	Plastics bottle manufacturing
0.41%	Fertilizer (mixing only) manufacturing
0.40%	Other commercial printing
0.40%	All other basic organic chemical manufacturing
0.32%	Metal window and door manufacturing
0.29%	Aluminum extruded product manufacturing
0.17%	Iron and Steel Mills
0.10%	All other miscellaneous food manufacturing
0.08%	All other miscellaneous manufacturing

10.78%	Commercial and institutional building construction
10.72%	Highway, street, and bridge construction
7.79%	Water and sewer line and related structures construction
2.78%	Other heavy and civil engineering construction
2.46%	Other building finishing contractors
1.22%	Industrial building construction
1.12%	All other specialty trade contractors
0.96%	New single-family housing construction (except operative builders)
0.93%	Electrical contractors and other wiring installation contractors
0.40%	Oil and gas pipeline and related structures construction
0.09%	Other building equipment contractors
0.03%	Plumbing, heating, and air-conditioning contractors

G. Geographical Presence

Gulf Finance Corporation currently has offices in Jeddah and Riyadh and plan to expand its operations in Eastern Region.

H. 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 expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements.

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 and liquidity in the market.

Market risk comprises of three types of risk: currency risk, interest 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. As the Company's transactions are principally in Saudi Riyals, the Company is not exposed to currency risk.

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 have fixed interest rates. Applicable interest rates for the same have been disclosed in their respective notes.

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 currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar

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financial instruments traded in the market. As at September 30, 2015, the Company has no investments in the listed securities.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The risk is generally limited to principal amounts and accrued profit thereon, if any. The Company has established procedures to manage credit exposure including credit approvals, credit limits, and collateral and guarantee requirements. The Company also manages risk through a credit department which evaluates customers' credit worthiness and obtains adequate securities where applicable.

All investing transactions are settled / paid for upon delivery. The Company's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

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 would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The Company monitors the credit quality of 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 industrial sectors. The Company has an effective rental monitoring system which allows it to evaluate customers' credit worthiness and identify potential problem accounts. An allowance for potential lease, installment and other loan losses is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on lease, installment and other loan portfolio 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.

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.

I. Internal control system

Gulf Finance Corporation risk management has been properly prepared and efficiently executed. The Company internal control system is subject to constant evaluations and improvement 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 departments specialized in 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. This 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 an approved 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.

J. Corporate Governance

Corporate Governance Framework

Gulf Finance has a strong corporate governance structure and assures to maintain this high standard throughout the years. In 2015 the following meetings were held:

- 5 Board meetings
- 6 Executive Committee meetings
- 6 Credit and Risk Committee meetings
- 5 Audit and Compliance Committee meetings
- 4 Nomination and Remuneration Committee
- 2 Sharia and Supervisory Committee meetings

In 2016, The Board has schedules 4 board, 6 Executive Committee, 6 Credit and Risk Committee, 4 Audit and Compliance, 4 Nomination and Remuneration Committee and 2 Sharia Committee meetings. (The following shows the Proposed Dates and Time for Board and Committee Meetings 2016)

BOARD MEMBERS 2015



Thamer Abdelkhader Jan - Chairman

Mr. Thamer A. Jan is currently a board member of ENBD Capital KSA in addition to his private financial consultancy business.

He has worked for the Saudi British Bank as the General Manager of Commercial Banking until 2013. Prior to that he spent 4 years at The Saudi Hollandi Bank (SHB) where he held many positions including Regional General Manager – Western Province. Prior to joining SHB in 2007, he spent 12 years at the Saudi British Bank where he held many positions including Senior Manager Credit and Risk - Central Province. He is a graduate from King Saud University in Riyadh – KSA, and holds a Bachelor Degree in Economics, and completed his Masters Degree in Applied Economics from Southern Methodist University Dallas Texas - USA.



Ahmed Al Qassim - Vice Chairman

Ahmed Al Qassim is the Chief Executive Officer of Dubai Group.

Prior to Dubai Group, Mr. Al Qassim was Director Investment Banking at Emirates NBD Capital, where he led both the Equity Capital Markets and Mergers and Acquisitions team.

Previously he had been Head of Strategic Accounts at General Electric and Assistant Vice President of Structured Finance Originations, Mubadala-GE Capital.

Mr. Al Qassim holds an MBA from the University of Victoria, Canada.



Saad Al Arfaj - Board Member

Mr. Al Arfaj was General Manager of Human Resources at Saudi Hollandi Bank (SHB) until end of 2014. Prior to joining SHB in 2006, he spent four years in the management consulting and training field where he successfully introduced and led a number of comprehensive training programs in the banking sector. Prior to joining SHB, Mr. Al Arfaj spent 10 years at Al Rajhi Bank where he held several positions including Deputy Regional Manager and Senior District Manager, Central Region. Before Al Rajhi Bank Mr. Al Arfaj worked as Branch Manager at SABB for four years. He was prior to that an Assistant Branch Manager for SAMBA, where he also started his career. Mr. Al Arfaj holds a Bachelor degree in Business Administration from King Abdulaziz University, and a Master of Business Administration from Wales University and Manchester Business School.



Housseem Ben Haj Amor - Board Member

Housseem Ben Haj Amor holds the position of Chief Financial Officer and General Manager, supervising the finance departments of SHUAA Capital and its subsidiaries. Mr Ben Haj Amor joined SHUAA Capital in July 2007, prior to which he worked for Société Générale where he headed the accounting department of its Tunisian subsidiary and was responsible for implementing a full new banking system. Prior to Société Générale, Mr Ben Haj Amor worked for Moore Stephens and Arthur Andersen as Senior Manager specialized in the financial services industry. He managed audit and consultancy missions covering Europe and North Africa. Mr Ben Haj Amor has an extensive knowledge of International Financial Reporting Standards and GCC regional regulatory requirements. He is also a Certified Public Accountant.

BOARD MEMBERS 2015



John Blanthorne - Board Member

Mr Blanthorne is a vastly experienced international financial services expert, having spent 35 years with HSBC Bank as International Manager throughout Europe, the Middle East, Asia and the Pacific. Before retiring in 2009, Mr Blanthorne held the position of Executive Director for HSBC Middle East and prior to this ran HSBC's commercial banking franchise for the region. He was also CEO of the HSBC business in South Korea and New Zealand. Mr Blanthorne has gained extensive regional experience during his 14 years in the Middle East, having worked in Riyadh, Jeddah, Amman and the UAE. Mr Blanthorne is currently a Director of two banks in East Africa and is a Managing Partner of an investment advisory business.

Attendance in 2015

Directors of 2015

His Highness Sheikh Maktoum Hasher Al Maktoum (resigned)

Zaid Al-Guwaiz (resigned)

Arshad Ashraf (resigned)

Thamer A. Jan

Ahmed Al Qassim

Housseem Ben Haj Amor

John Blanthorne

Saad Alarfaj

9th Feb	4th May	6th Aug	4th Oct	8th Nov
✓				
✓				
✓	✓	✓	✓	✓
	✓	✓	✓	✓
✓	✓	✓	✓	✓
	✓	✓	✓	✓
	✓	✓	✓	

Management Team



David Hunt, Chief Executive Officer, Gulf Finance

David has over 26 years financial services experience in emerging markets and extensive regional knowledge. Before Gulf Finance, David held various senior and Director level positions at the HSBC Group. He was Managing Director and Chairman of the Executive Committee of SABB Takaful, a Saudi publicly quoted insurance company, and most recently Head of Regional Insurance at HSBC Bank Middle East.



Nair Bayan Al-Sulami, Chief Operating Officer and General Manager

Nair has over 17 years' financial services and commercial management experience in various senior management positions with a number of Saudi companies. Prior to joining Gulf Finance, he was a Senior Manager Credit & Marketing in Saudi ORIX Leasing Company and acting Regional Head. Nair joined the company as its first employee on 1 September 2012 at the level of Branch Manager, Saudi Arabia Region. Within joining and successfully establishing the Jeddah Branch, he was promoted Chief Operating Officer of Gulf Finance. In 2014 he was nominated to be the General Manager along with his previous position.



Syed Obeidullah, Finance & Treasury Manager

Obeidullah has been leading Finance department of Gulf Finance Company since January 2013. He is an experienced Finance Manager with over 20 years of regional experience. Prior to joining Gulf Finance, Obeidullah was the Head of Finance at Riyadh Bank auto leasing unit, where he worked for over 3 years. Previously he worked at Abdullatif Alissa Group's corporate office as Senior Financial Analyst and also as Finance Manager of their car rental and leasing subsidiary "Best Trading Company"



Hassan Alsultan, Head of Human Resource

Hassan has 8 years of experience in all aspects of the HR Functions, he was working with the National Commercial Bank (NCB) as HR Business Partner where he played an advisory role by helping the Divisions Head deal with HR related issues in all HR fields such as: Benefit & Compensation, Salary Increases, Staff Relations, Training & Development, Performance Management and so forth. Prior to joining Gulf Finance Hassan was the HR Manager of a Spanish multinational company in Saudi Arabia "Mondragon" where he built the HR Department from the scratch. He holds a BA in HR Management, from Hillford University, USA.

Management Team



Danya Ashgar, Head of Compliance & Legal

Dania Ashgar is currently leading the compliance and legal Division. Her compliance experience along with her skills and educational background qualify her to perform her role within the company. Prior to joining Gulf Finance, she was the head of compliance of Sidra Capital, investment bank regulated by Capital Market Authority, for 5 years.



Mazen Al Zayer, Head of Internal Audit

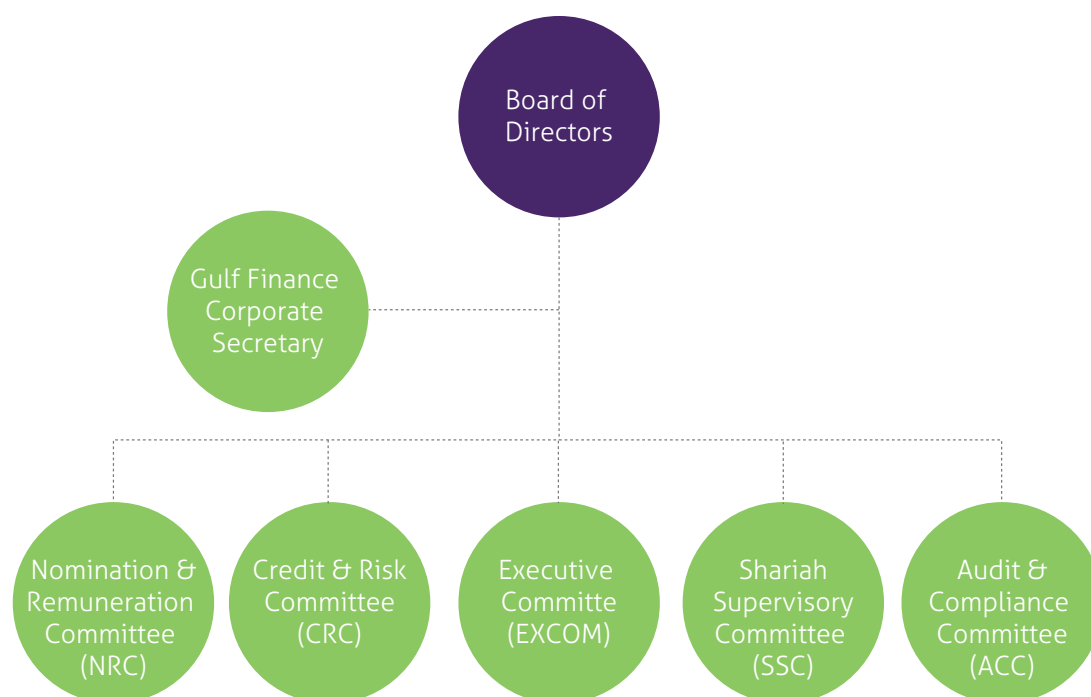
Mazen has 8+ years experience in internal audit and Finance functions at various organizations in Eastern and Western Province. He started his career with Samba Financial Group in Corporate Department. He is CIA candidates and has an experience over establishing internal audit department, preparing risk based audit plan, charters, manuals and other related reports. Prior to joining Gulf Finance, he was senior internal audit in Petromin Corporation helping the company achieving its objectives by handling operation audit tasks, executing annual audit plan over the kingdom and overseas.



Manuel Cells, Credit & Risk Manager

Manuel started his exposure in the leasing industry in 1986 who acted as a Branch Manager for a medium-sized consumer leasing company in the Philippines. Subsequently he worked in various Finance and Accounting positions in managerial capacity for various corporations in the Philippines for more than 10 years. He moved to Saudi Arabia in 1999 and worked as Senior Accountant for Zahid Tractor Heavy Machinery Co. Ltd for 5 years. Prior to joining Gulf Finance, he served as Credit Risk Manager with Ajil Financial Services Company for 9 years.

Board and Sub-Committees Structure



Audit and Compliance Committee "ACC"

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

- Monitor the Company's financial statements and recommend them to the Board
- Appoint the External auditor and Zakat advisor and recommend them to the Board
- Approve compliance and internal audit plan
- Review and approve quarterly and annual internal audit reports
- Review and approve quarterly and annual compliance reports
- Assure compliance with all laws and regulations within the company.

ACC members and attendance in 2015:

Name of the Member	Position	Committee meeting attendance in 2015
John Blathorne	Chairman of the Committee-Board member	4 out of 5
Wadih ElManneh	Member of the Committee	3 out of 5
Waleed Kayyal	Member of the Committee	5 out of 5

Credit and Risk Committee "CRC"

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

- Review the key risks (credit , business operations and financial risks)
- Review collections and overdue analysis
- Review sector cap analysis

CRC members and attendance in 2015:

Name of the Member	Position	Committe meeting attendance in 2015
Thamer Jan	Chairman of the committee- Chairman of the Board	6 out of 6
David Hunt	Member and CEO	6 out of 6
Bede Pholen	Member- Chief Risk Officer, Gulf Finance UAE	5 out of 6
Nair Bayan ALSulami	Member - GM and COO	5 out of 6
Manuel Talisayon Cells	Member and Secretary of the Committee- Credit and Risk Manager	6 out of 6

Executive Committee "EXCOM"

The primary objectives of the EXCOM are:

- Oversee the performance of the company including sales performance and provide update to the Board
- Review and Recommend new funding to the Board
- Monitor the Performance of the Company

EXCOM members and attendance in 2015:

Name of the Member	Position	Committe meeting attendance in 2015
David Hunt	Chairman of the Committee and CEO	6 out of 6
Thamer Jan	Member of the Committee- Chairman of the Board	6 out of 6
John Blanthorne	Member of the Committee- Director	4 out of 6

Nomination and Remuneration Committee "NRC"

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

- Review the company's organization structure and Saudisation rate
- Assure compliance with applicable labor laws
- Review the performance of executives and employees
- Developing and annually reviewing the human resources and training policies of the Company,
- Overseeing the procedures for nomination to the Board,
- 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
- Recommend to the Board the annual bonus and sales increments of the year.

NRC members and attendance in 2015:

Name of the Member	Position	Committee meeting attendance in 2015
Saad Al-Arfaj	Chairman of the Committee-Director	3 out of 4
Housseem Ben Haj Amor	Member of the Committee- Director	3 out of 4
Ryan Lynch	Member of the Committee	4 out of 4

Sharia'a Supervisory Committee "SSC"

The main objectives of having a SSC are:

- Assure that the company's activities, facilities, products and services are in compliance with shariah standards, rules and principles.
- Provide shariah guidance and advice to the board.

SSC members and attendance in 2015:

Name of the Member	Position	Committee meeting attendance in 2015
Dr. Mohammed Ali Elgari	Chairman of the Committee	2 out of 2
Dr. Abdullah Abdulaziz Almosleh	Member of the Committee- Director	2 out of 2

CEO SUB-COMMITTEES STRUCTURE



Management Committee “MANCOM”

Management Committee (“MANCOM”) is the primary forum for review and tracking of all Group strategic and operational key performance indicators, business updates, financial performance, Compliance, Internal Audit and HR and succession planning.

The MANCOM consist of the following members:

- David Hunt- Chairman of the Committee- CEO
- Nair AlSulami- General Manager and COO
- Mazen Al Zayer- Head of Internal Audit
- Hasan Sultan- HR Manager
- Dania Ashgar- Head of Compliance
- Manuel Talisayon Cells- Credit & Risk Manager
- Syed Obeidallah- Finance Manager
- Abduljalil Shaker- Western Regional Manager
- Yasser Haj- Central Regional Manager
- Nasser Hassan- Operations and Customer Complaints Manager

The MANCOM aims to meet on monthly basis.

Asset and Liabilities Committee "ALCO"

The Assets & Liabilities Committee ("ALCO") is charged with optimizing return on corporate capital and controlling the balance sheet under the guidelines of the EXCO and the Board.

The members of the ALCO are:

- David Hunt- Chairman of the committee and CEO
- Nair Bayan ALSulami-GM and COO
- Syed Obeidallah – Finance Manager
- Manuel Talisayon Cells- Credit and Risk Manager

The committee members meet every quarter and otherwise as required.

Credit Committee "CC"

The credit committee ("CC") reviews, deliberates and renders decision whether to "approve" or "reject" credit proposals. The committee is expected to render unanimous decision on all cases, but in the event of disagreement between the members, the decision of the CEO prevails.

Members of the CC for proposals requesting for exposure of SR 3 million and below are:

- David Hunt- CEO
- Nair Al Sulami-GM and COO
- Abduljalil Shaker and Yassir Haj- Regional manager (Western & Central Region Manger)
- Manuel Talisayon Cells- Credit and risk manager

Risk and Compliance Meeting "RCM"

The main objective of the RCM is to identify measure and mitigate the operational risks that threaten the accomplishment of the company's objectives.

The RRM meets Bi-monthly

The members of the RRM are:

1. MANCOM members

Business Development Review "BDR"

The main objectives of the Business Development Review "BDR" are:

- Review the progress of sales pipeline on weekly basis.
- Review the weekly visit report for business development officers.
- Projecting for the monthly target.
- Discussing the progress of the deals with Credit department and enhance communication between both departments.
- Discuss progress made with strategic partner (Suppliers) and initiatives.
- Obtaining BDOS feedback on the market status and trends.

Members of the BDR:

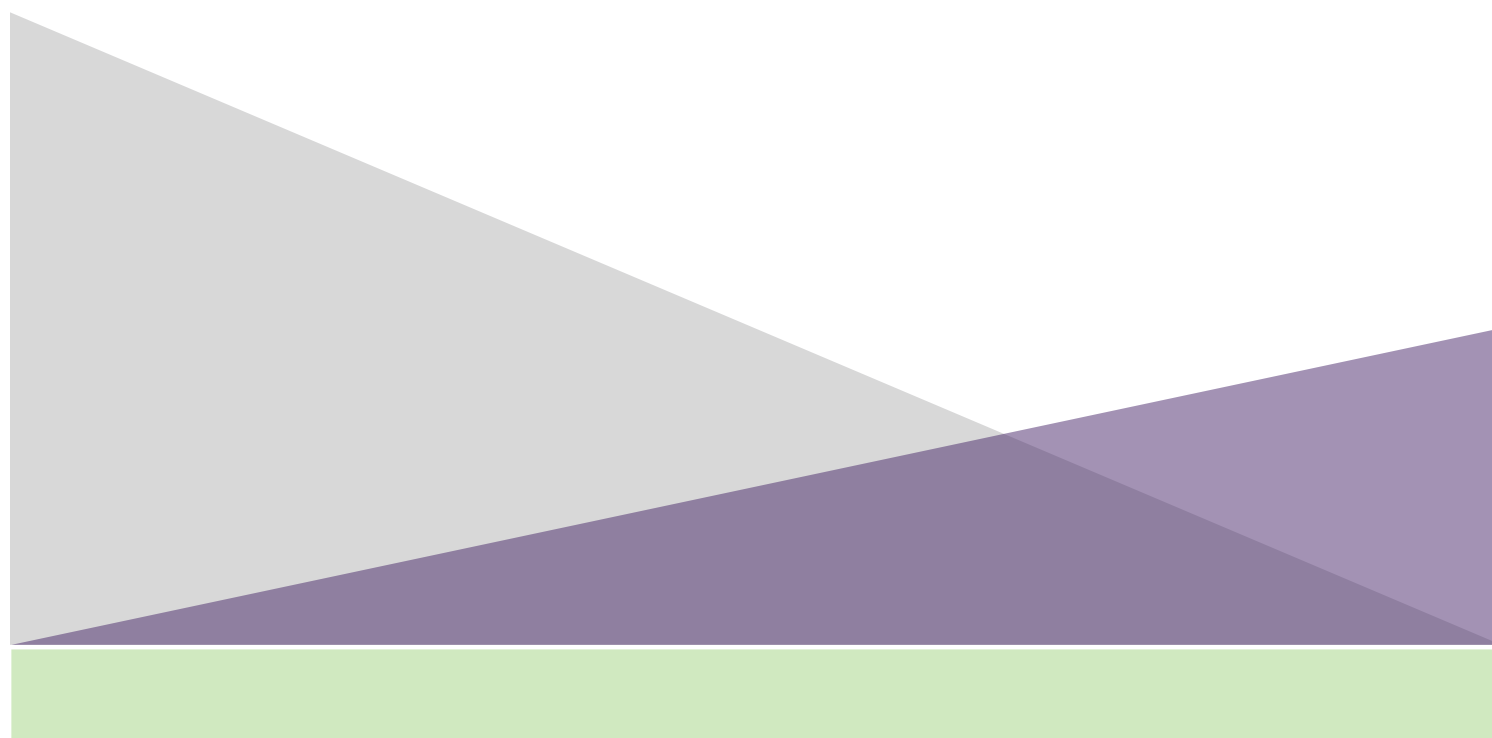
- CEO
- COO & GM
- Regions Mangers
- Business Development Officers
- Business Development supports
- Credit Representatives

K. Human Resources

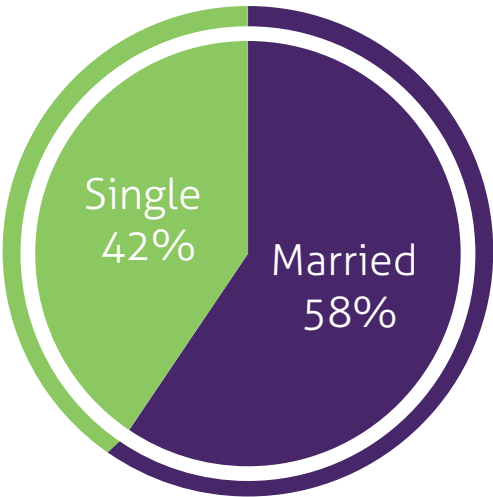
Highlights:

- Headcount increased by 28%, in which it achieved 57% Saudization from 48% in 2014.
- Conducted quarterly Town Halls where Taqdeer Awards were introduced.
- Implementing HR system (Oracle HRMS) where all HR transactions have been automated.
- Implementing a competitive and comprehensive Incentive Plans for Business Development and Collection Teams.
- Signing an agreement with Saudi Hollandi Bank to provide the staff with all personal financing privileges.
- Conducting internal training and some of external training as well, as the induction and the on job training for the new joiners. Below table will summarize some of the conducted training:

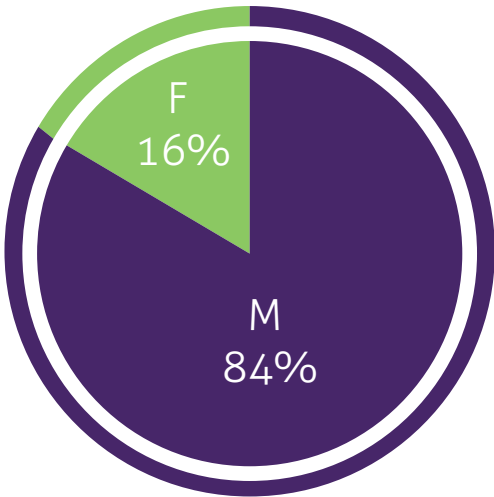
Training		Number of staff	Number of Days
System Training	Oracle EBS - Dubai	8	67
	Flexcube - Dubai	7	51
	Oracle EBS - Dubai	30	30
	Team Mate - Dubai & Saudi	9	12
Technical Skills Training	Sales Training	11	25
	Red Hat certified system engineer & Administrator	1	20
	ITIL "IT Service Management"	1	1
Governance Training	Compliance , Code of Conduct, & AML	31	62
	Corporate Credit and Risk analysis - Bahrain	1	3
	Sharia Auditing - Bahrain	1	3



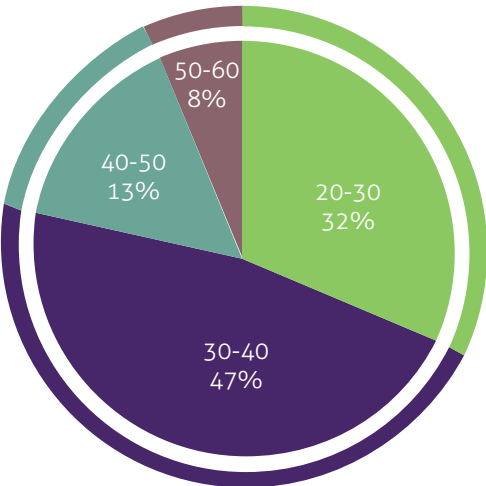
HR Demographics:



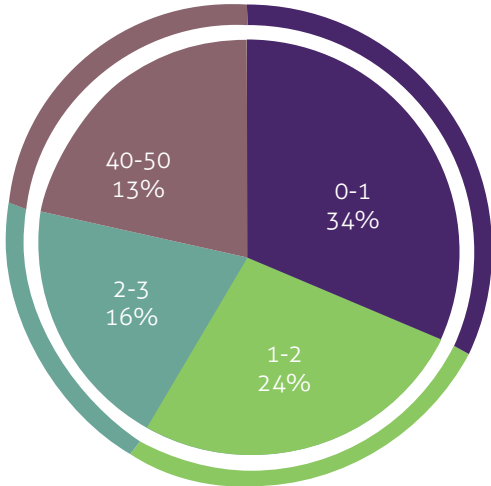
Marital Status



Gender



Age Group



Lenght of Service

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 to meet its obligations under the regulations of the 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 standards 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.

L. Board Members and Senior Management Compensation

The following details belong to remuneration and compensation paid to Board members and MANCOM:

SAR 000's

Details	Executive Board members	Non-Executive Members	MANCOM Compensation
Salaries and Compensation	Nil	Nil	4,441
Allowance	Nil	Nil	164
Annual & periodical Remuneration	Nil	Nil	Nil
Incentives	Nil	Nil	Nil
Board Benefits and Compensation	Nil	420	Nil

M. Declaration from the Board

The Board Members confirms that;

- The Company prepares its financial statements in accordance International Financial Reporting Standard ["IFRS"] as required by the finance laws and regulations.
- Proper books of finance department have been maintained.
- The Company has no existing relationship contracts in which a Board Member, MAMCOM member has a material interest.
- Internal Audit Control was efficiently implemented.
- There is no doubt about ability of the company to continue the business as a going concern.

N. Interest of Board members and Executive management

All Board members of the Company or MANCOM members, including any person related to them, apart from the remuneration, do not have any interest in the Company.

O. Laws and Regulations applicable

Gulf Finance adhered to the Saudi Companies' Law, rules and regulations of Saudi Monetary Agency. During 2015, no penalty was incurred on the Company by any regulatory authority.

P. Zakat, Tax and other Government payments

The below table displays payment done to governmental bodies during this year:

SAR 000's

Type of Payment	2014	2015
Zakat	-	98
GOSI	236	430
Visas and Passports related	90	44

Q. External Financial Auditor

Messer's PricewaterhouseCoopers appointed as external auditors for the year ended 31 December 2015 for remuneration of SR 195,000 for the annual audit, two quarterly reviews (Second and Third), group reporting and SAMA annual 2015 prudential certification. Messer's Deloitte were our Auditors during 2015 only for the review of first quarter 2015 Financial Statements against remuneration of SAR 20,000.

R. Financial Reporting standards

The annual audited financial statements for the year ended 31 December 2015 of Gulf Finance Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Board takes this opportunity to thank the government of the Kingdom of Saudi Arabia and in particular the Saudi Arabian Monetary Agency and the Ministry of Commerce for their support.

The Board also places on record appreciation for shareholders for their confidence and support and to the Company team for their effort and professionalism.

S. Audited Financials 2015

GULF FINANCE CORPORATION
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
AND INDEPENDENT AUDITORS' REPORT

GULF FINANCE CORPORATION
(A Saudi Closed Joint Stock Company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	As at December 31	
		2015	2014
Assets			
Current assets			
Cash and cash equivalents	5	37,856,494	11,223,550
Investment in finance lease-current portion	6	106,684,564	70,317,318
Advances, deposits, prepayments and other receivables	7	3,948,182	4,052,691
		<u>148,489,240</u>	<u>85,593,559</u>
Non-current assets			
Restricted deposits	10	3,042,456	3,042,456
Investment in finance lease-non-current portion	6	88,701,405	49,176,576
Property and equipment	8	1,459,803	254,770
Intangible assets	9	3,185,179	-
		<u>96,388,843</u>	<u>52,473,802</u>
Total assets		<u>244,878,083</u>	<u>138,067,361</u>
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	1	100,000,000	100,000,000
Statutory reserve	15	628,994	169,404
Retained earnings		5,660,941	1,524,633
Total shareholders' equity		<u>106,289,935</u>	<u>101,694,037</u>
Current liabilities			
Current portion of long-term borrowings	10	30,187,192	13,096,854
Accounts payable		18,553,973	8,268,259
Due to related parties	12	51,014,714	984,830
Provision for zakat	13	140,000	170,000
Other liabilities and accruals	11	5,598,071	4,228,644
		<u>105,493,950</u>	<u>26,748,587</u>
Non-current liabilities			
Long-term borrowings	10	32,435,904	9,281,871
Post-employment benefits	14	658,294	342,866
		<u>33,094,198</u>	<u>9,624,737</u>
Total liabilities		<u>138,588,148</u>	<u>36,373,324</u>
Total shareholders' equity and liabilities		<u>244,878,083</u>	<u>138,067,361</u>

The notes on pages from 8 to 28 form an integral part of these financial statements.

GULF FINANCE CORPORATION
(A Saudi Closed Joint Stock Company)
Statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

		Year ended December 31	
	Notes	2015	2014
Income			
Income from finance lease		23,564,596	16,578,840
Processing fee and other operating income		943,555	759,753
Other income		511,726	74,747
Total income		25,019,877	17,413,340
Expenses			
Finance charges	10,16	(3,380,839)	(1,169,256)
Other operating costs	19	(2,604,083)	(1,404,080)
General and administrative expenses	20	(13,831,554)	(9,893,368)
Impairment of investment in finance lease	6	(539,522)	(1,771,478)
Total expenses		(20,355,998)	(14,238,182)
Profit before zakat		4,663,879	3,175,158
Zakat	13	(67,981)	(170,000)
Profit for the year		4,595,898	3,005,158
Other comprehensive income		-	-
Total comprehensive income for the year		4,595,898	3,005,158

The notes on pages from 8 to 28 form an integral part of these financial statements.

GULF FINANCE CORPORATION
(A Saudi Closed Joint Stock Company)
Statement of changes in shareholders' equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	(Accumulated losses)/ retained earnings	Total
Balance as at January 1, 2014	100,000,000	-	(1,311,121)	98,688,879
Total comprehensive income for the year	-	-	3,005,158	3,005,158
Transfer to statutory reserve	-	169,404	(169,404)	-
Balance as at December 31, 2014	100,000,000	169,404	1,524,633	101,694,037
Total comprehensive income for the year	-	-	4,595,898	4,595,898
Transfer to statutory reserve	-	459,590	(459,590)	-
Balance as at December 31, 2015	100,000,000	628,994	5,660,941	106,289,935

The notes on pages from 8 to 28 form an integral part of these financial statements.

GULF FINANCE CORPORATION
(A Saudi Closed Joint Stock Company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

		Year ended December 31,	
	Note	2015	2014
Cash flow from operating activities			
Profit before zakat		4,663,879	3,175,158
<u>Adjustments for:</u>			
Depreciation on property and equipment	8	217,311	149,193
Amortization of intangible assets	9	228,230	-
Impairment and write-off of investment in finance lease		556,466	1,771,478
Finance charges		3,380,839	1,169,256
Provision for post-employment benefits	14	335,651	210,689
<u>Changes in working capital</u>			
Investment in finance lease		(76,448,541)	(18,212,740)
Advances, deposits, prepayments and other receivables		104,509	537,184
Restricted deposits		-	(3,042,456)
Accounts payable		10,285,714	6,652,759
Other liabilities and accruals		532,187	(1,318,549)
Cash utilized in operating activities		(56,143,755)	(8,908,028)
Post-employment benefits paid		(20,223)	-
Zakat paid		(97,981)	-
Finance charges paid		(2,543,599)	(1,169,256)
Net cash utilized in operating activities		(58,805,558)	(10,077,284)
Cash flow from investing activities			
Additions to property and equipment	8	(1,422,344)	(97,010)
Additions to intangible assets	9	(3,413,409)	-
Net cash utilized in investing activities		(4,835,753)	(97,010)
Cash flow from financing activities			
Proceeds from borrowings	10	63,310,399	30,424,557
Repayments during the year	10	(22,796,986)	(7,702,750)
Net changes in deferred charges		(269,042)	(343,082)
Due to related parties		50,029,884	(11,822,816)
Net cash generated from financing activities		90,274,255	10,555,909
Net increase in cash and cash equivalents		26,632,944	381,615
Cash and cash equivalents at beginning of year		11,223,550	10,841,935
Cash and cash equivalents at end of year	5	37,856,494	11,223,550

The notes on pages from 8 to 28 form an integral part of these financial statements.