

Investcorp Saudi Arabia Financial Investments Co.

(One Person Closed Joint Stock Company)

BOARD OF DIRECTORS REPORT FOR

The financial year ended 30 June 2021

Board of Director Annual Report

The Board of Directors is pleased to present the annual report and audited financial statements of Investcorp Saudi Financial Investments Company for the fiscal year ended 30 June 2021.

About Investcorp Saudi Arabia Financial Investments Co. (the “Company”):

Investcorp Saudi Arabia Financial Investments Co. is a Saudi closed joint stock company registered in Riyadh, Saudi Arabia under commercial registration number 1010254275 dated 1 Sha’aban 1429H (corresponding to 3 August 2008) and licensed by the Saudi Capital Market Authority (“CMA”) under license number 07088-36 dated 4 Dhul-Qadah 1428H (corresponding to 9 November 2007). The Company was authorised to commence business vide letter no 1227/6 dated 12 Rabi Al Awal 1430H (corresponding to 9 March 2009). The Company is licensed as an Authorized Person by the CMA to carry on Arranging, Advising, Managing and Custody Services (as defined by the CMA).

During the fiscal year, the company transferred the ownership of the company from the previous partners to one partner who owned it 100% INVESTCORP S.A, to become a one-person closed joint-stock company.

Board of Directors:

The General Assembly approved the decision to amend the members of the Board of Directors on December 27, 2021 by accepted resignation of Chairman Mr. Khalid AlZayani to be replaced by Mr. Mansour Al Afaliq, and to continue the period of three years from AGM date 19 December 2019, , and which became composed of six members, including two independent members, and they are Mr. Mansour Ibrahim Al-Afaliq, the Chairman, Mr. Timothy Antoni Mattar, Vice Chairman, Mr. Ahmed Fawzi Kanoo, Mr. Walid Michael Majdalani, Mr. Yasser Awed Bajsair, and Mr. Ghassan Ghalib Abdulaal,

The main functions of the Board of Directors include the following:

- Approving the strategic plans and main objectives of the Company and supervising implementation of such plans and objectives;

-Reviewing and approving the organizational and functional structures of the Company on a periodical basis; and

- Approving policies and procedures to ensure the Company's compliance with the laws and regulations, and the Company's obligation to disclose material information to shareholders, creditors and other stakeholders.

• **Board of Directors and the as follows: Executive Board member - non-executive board member - Independent board member and Board Directorship in other companies:**

Name	Designation in ISAFIC BoD	classification of members	Board member in other companies:
Mansour Al-Afalq	(Chairman)	Independent	Romooz Investments holding company (joint stock) AL-Houssain and Al-Afaliq Group (joint stock) Al-Ahsa Medical Services Company (Joint stock) HACO Ready Mix Company (LLC) AL-HOUSSAIN and AL-Afaliq Real Estate Company (LLC).
Ahmed Kanoo	board member	Independent	Kanoo Terminal Services Yusuf Bin Ahmed Kanoo Co. Ltd. – Saudi Arabia BASF Saudi Arabia Co. Ltd Hapag Lloyd Saudi Limited Gulf Lifting Financial Leasing Company – Saudi Arabia United Insurance Company B.S.C. (c) – Bahrain
Tim Mattar	(Vice -Chairman)	Non-executive	Investcorp Financial Services B.S.C (Closed) Investcorp Investments LLC Al Maha , K Company, Aberdeen Standard Investcorp Infrastructure GP Limited. Investcorp Asia Financial Services PTE. LTD. Mercury Capital Advisors
Ghassan Abdulaal	board member	Non-executive	Bahrain Development Bank SIPCO Limited CIP Limited SIPCO Holdings Limited IESIP Holdings Limited Investcorp Management Services Limited
Walid Majdalani	board member	Non-executive	NDT and Corrosion Control Services Company Al Yusr Industrial Contracting Company and its Subsidiaries Bin Dawood Holding Company Investcorp Financial Services B.S.C (Closed), Infrastructure Consultant Manager S.P.C, Automak Automotive Company K.S.C.C. Concession Infrastructure Investments Manager Limited Asia Food Growth Investment Manager Limited Asia Food Growth I GP Limited Asia Food Growth Advisors Limited Arvento Mobil Sistemleri A.S. Arvento M2M Elektronik Sistemler Sanayi Ticaret A.S. Namet Gida Sanayi ve Ticaret A.S.
Yasser Bajsair	board member	Executive Board member	Noon

Board of Directors Committee and Executive Committee:**Summary of Board of Directors Resolutions by Circulation, Meetings & Attendance during the fiscal year ending 30 June 2021:**

During the fiscal year 2021, The Board of Directors held meetings and passed resolutions by circulation. and the number were (6) meetings, the following table shows the dates of those resolutions and meetings and the attendance record of members during the fiscal year:

Name	Designation in ISAFIC BoD	classification of members	Date of meetings/decisions by circulation					
			22/July	28/Sep	19/Nov**	15/Dec	16/Mar	21/Jun
Mansour Al-Afaliq	(Chairman)	Independent board member	✓	✓	✓	✓	✓	✓
Tim Mattar	Vice Chairman	Non-executive	✓	✓	✓	✓	✓	✓
Ahmed Kanoo	board member	Independent board member	✓	✓	✓	✓	✓	✓
Walid Majdalani	board member	Non-executive	✓	✓	✓	excused	✓	✓
Ghassan Abdulaal	board member	Non-executive	✓	✓	✓	✓	✓	✓
Yasser Bajsair	board member	executive	-			✓	✓	✓
Khalid Rashid Al Zayani	(Old Chairman)	Non-Independent board member	✓	* Leaved the board in Aug 2021.				

*Yasser Bajsair joined the board on DEC 2020

** decisions by circulation

Board of Directors Committee:

The Board of Directors has formed a number of committees that it can discharge its supervisory responsibilities and holds its meetings periodically to review the business activities and to submit a report to the Board of Directors, and these committees are: the Audit Committee, the Nomination and Remuneration Committee, and the Compliance Committee. Also, new committee consisting of the senior management concerned with the company's day to day activities was assigned a reference to the Compliance Committee and it shows below a detail of these formed committees and a summary of the number of meetings held during the fiscal year:

❖ **Audit Committee:**

Messrs. Ahmed Kanoo (Chairman), Mansour Al Afaliq and Ghassan Abdulaal serve as members of the Audit Committee. The Audit Committee shall:

- be responsible to supervise the outsourced internal audit function to ensure its effectiveness;
- review internal audit procedures, prepare a report to the Board on such audit and make recommendations (if any) with respect to such audit;
- review the internal audit report and oversee the implementation of corrective measures in respect of the comments in the report;
- be responsible for the selection, appointment, remuneration, oversight and termination where appropriate of Company's external auditor, subject to ratification by the Board and the shareholders. The external auditor shall report directly to the Audit Committee,
- monitor rotation arrangements for audit engagement partners;
- supervise the activities of the external auditor and approve any proposed activity by the external auditor beyond the scope of the audit work assigned to it;
- review and discuss with the external auditor the scope and results of its audit, any difficulties the auditor encountered including any restrictions on its access to requested information and any disagreements or difficulties encountered with management;
- review and discuss with management and the external auditor the semi- annual and annual financial statements of Company including judgments made in connection with the financial statements; and
- review annual financial statements, focusing particularly on:
 - any changes in accounting policies and practices;
 - major judgmental areas;
 - significant adjustments resulting from the audit, if any;
 - the going concern assumption; and
 - the external auditor's comments and follow up action taken in respect thereof.
- review the accounting policies in force and advise the Board of Directors of any recommendation regarding them.

Audit Committee Members:

The following table shows members of the Audit Committee, the following names and classification of their membership, and the number of meetings of the Committee during the fiscal year were (4) meetings, the details are as follows:

Committee Members	Designation	Members Classification	Meeting Date			
			28/09	15/12	16/03	21/06
Ahmed Kanoo	Chairman	Independent Board Member	✓	✓	✓	✓
Mansour Al Afaliq	Member	Independent Board Member	✓	✓	✓	✓
Ghassan Abdulaal	Member	Non- Executive Director	✓	✓	✓	✓

*The committee was reconstituted during the fiscal year

❖ Nomination and Remuneration Committee:

Messrs. Ahmed Kanoo (Chairman), Mansour Al Afaliq and Ghassan Abdulaal serve as members of the Nomination and Remuneration Committee.

When functioning as a Nomination Committee, it shall:

- make recommendations to the Board from time to time as to membership of the Board of Directors, changes NARC believes to be desirable to the size of the Board or any committee of the Board;
- agree the required skills and qualifications for membership to the Board of Directors and the time required to be dedicated for activities of the Board of Directors;
- review the structure of the Board of Directors, determine its strengths and weaknesses and recommend changes.
- identify persons qualified to become Chief Executive Officer and any other officers of COMPANY considered appropriate by the Board, except for the appointment of the external auditor, which will be the responsibility of the Audit Committee.
- whenever a vacancy arises (including a vacancy resulting from an increase in the size of the Board), identify persons qualified to become members of the Board and

recommend to the Board a person to fill the vacancy either through appointment by the Board or through shareholder election;

- make recommendations to the Board regarding candidates for Board memberships to be included by the Board on the agenda for the next annual shareholders meeting;
- in performing the above responsibilities, consider any criteria approved by the Board and such other factors as it deems appropriate. These may include judgment, specific skills, experience with other comparable businesses, the relation of a candidate's experience with that of other Board members, and other factors;
- consider all candidates for Board membership recommended by the shareholders and any candidates proposed by management;
- identify Board members qualified to fill vacancies on any committee of the Board and recommend to the Board that such person be appointed to such committee; and
- ensure on an annual basis the independence of the independent members and the absence of any conflict of interest if a Board member acts as a Board member of another company.

When functioning as a Remuneration Committee, it shall:

- consider and make specific recommendations to the Board of Directors regarding the Company's remuneration policies for the Board of Directors, the Chief Executive Officer, Finance Manager and the Compliance/MLRO which should be approved by the shareholders.
- consider, and make recommendations to the Board of Directors regarding, remuneration to be paid to Board of Directors based on the Board of Directors remuneration policies referred to above; and
- evaluate the Chief Executive Officer's performance considering corporate goals, agreed strategy and objectives and business plans.

Nomination and Remuneration Committee Members:

The following table shows the members of the Nomination and Remuneration Committee names classification of their membership, and the number of meetings of the Committee during the fiscal year were (4) meetings, as follows:

Committee Members	Designation	Members Classification	Meeting Date			
			28/09	15/12	16/03	21/06
Ahmed Kanoo	Chairman	Independent Board Member	✓	✓	✓	✓
Mansour Al Afaliq	Member	Independent Board Member	✓	✓	✓	✓
Ghassan Abdulaal	Member	Non- Executive Director	✓	✓	✓	✓

*The committee was reconstituted during the fiscal year

❖ **Compliance Committee:**

Mr. Ahmed Kanoo (Chairman), Mansour Al Afaliq , Ghassan Abdulaal ,Yasser Bajsair and Najlaa Al AlSheikh serve as members of the Compliance Committee of the Board.

The duties and responsibilities of the Compliance Committee are as follows:

- oversee the development and updating of policies and procedures to comply with applicable laws and regulations, including those of the Capital Market Authority of the Kingdom of Saudi Arabia, the Ministry of Commerce and Industry and the Saudi Arabian General Investment Authority;
- review the Compliance Officer's Report to the Board and oversee the implementation of corrective measures to remedy any deficiencies noted in that Report.
- oversee the implementation of the Compliance Monitoring Program by the Compliance Officer.
- oversee Company's compliance with legal and regulatory requirements, codes and business practices, and ensure that Company communicates with shareholders and relevant stakeholders (internal and external) openly and promptly, and with substance of compliance prevailing over form; and
- investigate reported or suspected violations of policies and procedures.

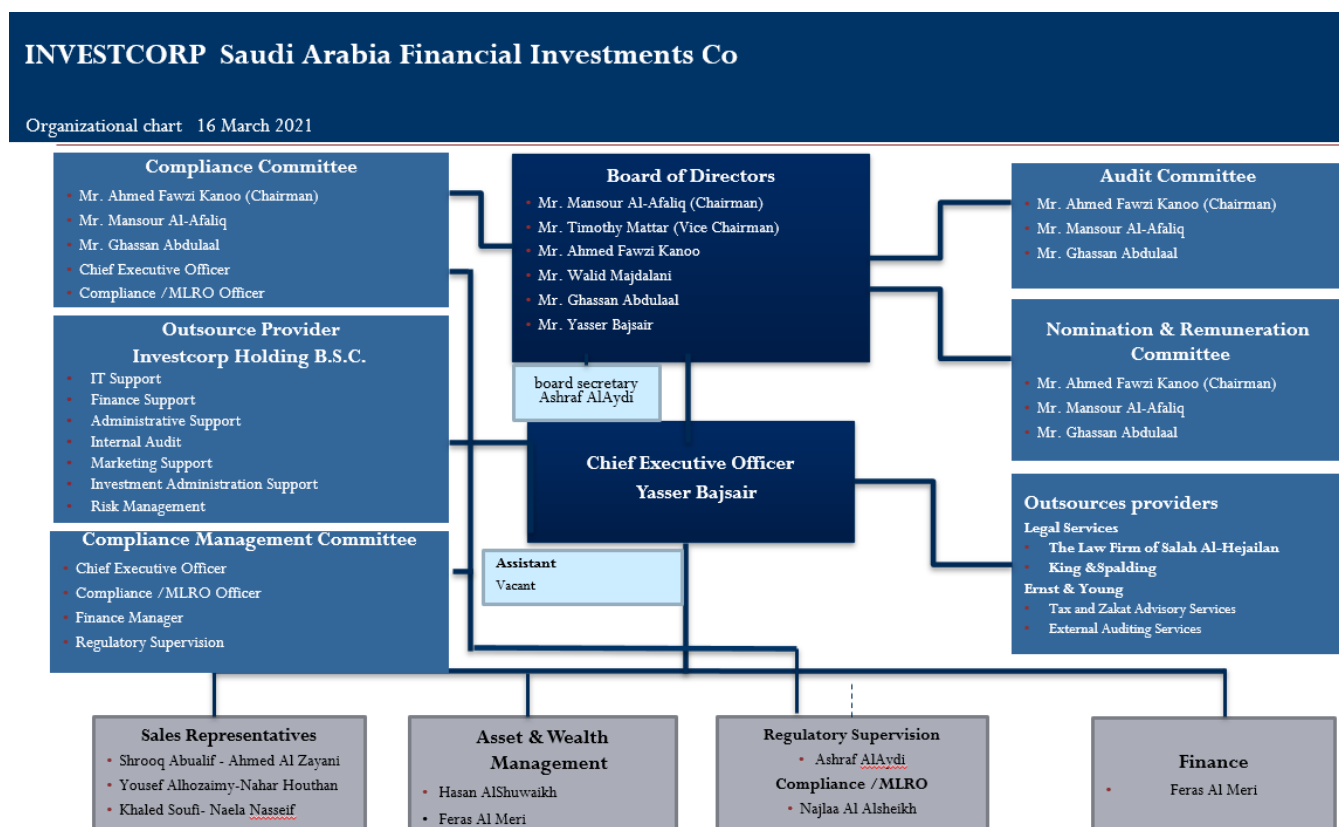
Compliance Committee Members:

The following table shows the members of the Compliance Committee names, classification of their membership, and the number of meetings of the Committee during the fiscal year were (4) meetings, as follows:

Committee Members	Designation	Members Classification	Meeting Date			
			28/09	15/12	16/03	21/06
Ahmed Kanoo	Chairman	Independent Board Member	✓	✓	✓	✓
Mansour Al Afaliq	Member	Independent Board Member	✓	✓	✓	✓
Ghassan Abdulaal	Member	Non- Executive Director	✓	✓	✓	✓
Yasser Bajsair	member	executive	✓	✓	✓	✓
Najlaa Al AlSheikh	member	Non-executive	*	*	✓	✓

* Najla joined the company in January 2021, and previous meetings were attended by Ahmed Bajammal, Compliance Officer and MLRO.

Organization Structure of Investcorp Saudi Arabia Financial Investment Company:



Investcorp Saudi Arabia Financial Investment Company Ownership Structure:

The company is owned 100% by Investcorp S.A. The company's share capital amounts to SAR 55,876,000 divided into 5,587,600 shares of SAR 10 each.

Financial Results:

The Company was established with a paid-up capital of SAR 50,250,000. During the Fiscal year ending 30 June 2011, the Company had increased its paid-up capital to SAR 55,876,000. The

increase of the paid-up capital was distributed among the shareholders proportionally. The amount of total assets for the year ended 30 June 2021 is SAR 72,716,426, which consist mainly of cash & cash equivalents of SAR 59,438,024. The amount of current liabilities is SAR 10,330,465 which includes Zakat, Taxes, and other accruals.

The Company reported a net income of SAR 3,125,413 for the year ended 30 June 2021. The revenue of the Company for the Fiscal year ending on 30 June 2021 consist of placement fees of SAR 14,687,655, Clients Relationship Management of SAR 10,338,173, and Management fees of SAR 1,076,712. While, the primary expenses of the Company related to employees cost amounting to SAR 14,530,794.

Below is a five years Summary of Financial Figures:

Particulars	FY21 SAR	FY20 SAR	FY19 SAR	FY18 SAR	FY17 SAR
Paid-up capital	55,876,000	55,876,000	55,876,000	55,876,000	55,876,000
Total Assets	72,716,426	70,431,890	67,353,242	65,080,400	63,455,961
Total Liabilities	11,345,500	12,186,377	8,536,601	7,143,952	4,465,088
Net Income for the year	3,125,413	1,092,594	917,742	565,304	1,066,154

Below is a Comparative of FY21 Financial results with FY20

Particulars	FY21 SAR	FY20 SAR	Variance (+) or (-)	Variance %
Revenue	26,102,540	22,077,326	4,025,214	18.23%
Operating Expenses	21,810,829	20,647,077	1,163,752	5.64%
Operating Income (Loss)	4,291,711	1,430,249	2,861,462	200.07%
Net Income for the year	3,125,413	1,092,594	2,032,819	186.05%

Board of Directors Remuneration:

Timothy Mattar, Walid Majdalani and Ghassan Abdulaal are employees of Investcorp Holdings B.S.C. and Yasser Bajsair is the CEO of the company and as per Investcorp Group policy no remuneration was paid to them during FY 2021 for their service as directors of the Company. However, Mr. Mansour Al-Afaliq and Mr. Ahmed Kanoo and received a total remuneration of SAR 150,014.

Following are details of expenses, bonuses and salary paid to board members and senior executives, including the CEO and Finance Manager:

Statement	Executive Board Members*	Non-Executive Board Members	Independent Board Members
Allowance for attendance of the board of directors' sessions	-	SAR 150,014	-
Allowance for attendance of the committees' sessions	-	-	-
Periodic and annual remunerations	-	-	-
Any compensations or other in-kind benefits paid monthly or annually	-	-	-
Total	0	SAR 150,014	0

*As members of the board of directors

Statement	Five of the senior executives who received the highest remunerations and compensations in addition to the CEO and CFO, if they are not among them
Salaries and wages	SAR 2,620,206
Allowances	-
Periodic and annual remunerations	SAR 1,363,911
Incentive plans	-
Commissions	-
Any Compensations or other in-kind benefits paid monthly or annually	-
Total	SAR 3,984,117

Annual Internal Audit Review:

The internal audit department of Investcorp Holdings B.S.C. conducts an internal audit of the Company and reports to the Audit Committee on an annual basis. The review evaluates the internal control framework covering the Company's operations with a focus on compliance with the requirements of Regulations. During fiscal year 2021, The Internal Audit Department submitted its annual report to the audit committee, which included fourteen observations. The committee highlighted that the observations of the internal audit report. The internal audit review was concentrating on the internal control framework which covers the Company's operations including the compliance with the requirements of Regulations.

The committee expressed its approval of the report and requested on periodically basis to follow-up of the corrective actions for these observations and consider the application of the relevant regulations of the authority.

Penalties imposed on the company by the regulatory during the year 2021:

No penalties or fines were imposed on the company by any regulatory during the fiscal year. If any, will be discussed in the Board meeting, and corrective actions are taken to ensure that they are not repeated in the future.

Balances and transactions with related parties for the financial year 2021:

During the ordinary course of its business with related parties, the related parties are mainly related to Investcorp Holdings and its subsidiaries. The Company also uses certain services from the Company in accordance with the Support Services Level Agreement signed between the two parties on 13 August 2008 and updated on March 2021, which includes "IT services, internal audit, finance, administrative, logistics and other support services. Financial year ended 30 June 2021 as follows:

Nature of the contract	Name of the relevant party	Duration of the contract	Contract Value
Services Level Agreement	Investcorp Holdings B.S.C (formerly Investcorp Bank B.S.C)	Open	Based on the Transfer pricing policy
Sub-placemen Agreement	Investcorp management service	Open	Fees charged Based on agreed rate

Auditor's report 30 June 2021



Ernst and Young & Co Public Accountants (Professional Limited Liability Company)
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INDEPENDENT AUDITOR'S REPORT

To the Owner of Investcorp Saudi Arabia Financial Investments Company
(A Closed Joint Stock Company Owned by One Person)

Opinion

We have audited the financial statements of Investcorp Saudi Arabia Financial Investments Company (A Saudi Joint Stock Company Owned by One Person) (the "Company"), which comprise the statement of financial position as at 30 June 2021, and the statement of comprehensive income, statement of changes in owner's equity and statement of cash flows for the year ended 30 June 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and the Company's By-Laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



INDEPENDENT AUDITOR'S REPORT

To the Owner of Investcorp Saudi Arabia Financial Investments Company
(A Closed Joint Stock Company Owned by One Person) (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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



INDEPENDENT AUDITOR'S REPORT

To the Owner of Investcorp Saudi Arabia Financial Investments Company
(A Closed Joint Stock Company Owned by One Person) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

for Ernst & Young


Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354

Riyadh: 19 Safar 1443H
(26 September 2021)



Basis of Preparation:

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively, referred to as “IFRS as endorsed in KSA”).

Auditor Opinion:

The accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia.

Risk Management:

Company is subject to certain balance sheet risks, operational risks (including legal risk) and reputational risks. In addition, Company is subject to regulatory capital requirements as well as requirements to (i) ensure that it has sufficient capital to support all of the material risks to which it is exposed by its business and (ii) integrate capital planning and capital management into its overall risk management culture and approach. To mitigate the key balance sheet risks, Company has adopted risk limits for the bank which are approved by the Board of Directors of Company.

➤ Counterparty Credit Risk and Concentration Risk -

Company has counterparty credit risk exposure to any bank with which it has any deposit arrangement and faces concentration risk through any single exposure or group of exposures with the potential to produce losses large enough to threaten the Company’s financial health or ability to maintain its core operations.

To mitigate these risks, Company has adopted counterparty credit risk limits approved by the Board of Directors. Company’s Finance Manager monitors and reports the counterparty credit risk limits to the Board of Directors.

➤ Funding Liquidity Risk

Funding liquidity risk for Company is the inability to meet both expected and unexpected cash flow requirements without adversely affecting its daily operations or its financial condition. To mitigate that risk, Company has entered into a Revolving Credit Agreement with Investcorp, pursuant to which Company can obtain short term loans from Investcorp to fund its operating expenses if there is a shortfall in its revenues. Company's Finance Manager Monitors Company's liquidity gap and reports to the Board of Directors and seek its approval for any corrective action if the positive liquidity gap falls below a minimum gap level.

➤ Market Price Risk

a) Foreign Currency Exchange Rate Risk

Foreign currency exchange rate risk is the risk of an adverse effect on Company's financial condition arising from changes in the Saudi Arabian Riyal / US Dollar exchange rate. Company currently does not have any foreign currency exchange rate risk on its cash flows because the Saudi Arabian Riyal exchange rate is pegged to the US Dollar. Company does not engage in any FX transactions that may result in currency risk.

b) Interest Rate Re-Pricing Risk

Interest rate re-pricing risk is the risk that Company will be adversely affected by re-setting of interest rates. Company does not currently have any interest rate re-setting risk because it does not have any interest-bearing assets or liabilities. Company does not engage in any derivative transactions that may result into interest rate risk.

➤ Operational and Reputational Risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems or from external events (such as natural disasters, changes in regulation or outsourcing of operations). Company includes legal risk in this definition, but it does not include reputational risk in this definition. However, a failure to manage operational risk effectively can give rise to events that cause severe reputational risk. Consequently, effective management of operational risk also contributes to effective management of reputational risk.

➤ non-compliance with Capital Market Authority laws

Company strives to mitigate and manage operational risk through the various policies and procedures. To ensure compliance with these policies and procedures documents and the laws

and regulations applicable to Company, the Board of Directors has approved a Compliance Monitoring Program which specifies a number of specific procedures required to be undertaken, primarily by Company's Compliance Officer, at intervals ranging in frequency from bi-weekly to quarterly and annually to provide assurance that Company is complying with these policies and procedures and the CMA's regulations.

➤ **IMPACT OF COVID-19**

During March 2020, the World Health Organization ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including KSA. Governments all over the world took steps to contain the spread of virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdown and curfews.

In response to the rapid spread of the virus and the resulting disruption of some social and economic activities and business continuity, the management has taken a series of preventive and precautionary measures, including activating of remote work to ensure the safety of its employees and their families.

As of the date of preparation of the financial statements for the year ended 30 June 2021, the management has not identified any significant impact on Company's operations and financial results from the COVID-19 outbreak.

These developments could impact our future financial results, cashflows and financial condition and the management will continue to assess the nature and extent of the impact on its business and financial results.

Directors' Representation contracts or business during FY2021:

According to CMA circular No. 3/6/6970/18 dated 22/2/1440 H, corresponding to 31/10/2018, on the standards and requirements of governance imposed on authorized persons, and the need to disclose in the annual report of the Board of Directors some of the requirements mentioned in the circular, and the Board of Directors hereby approves the following:

The Directors represent that during fiscal year 2021 they do not have any personal interest in transactions or contracts made for the account of the Company and do not participate in any business competitive with that of the Company, except as disclosed in the disclosure of transactions with related parties described in the notes to the financial statements.

Loan and Facilities related information:

There are no existing loans taken by the Company.

Prudential Rules and Capital Adequacy Assessment Process: Capital Adequacy Ratio:

According to the CMA instructions, the Authorized person must maintain minimum capital requirements and adequate financial resources in accordance with the Rules issued by the CMA. The Company has financial adequacy and capital that are above the CMA minimum capital requirements.

Pillar III Prudential Capital Disclosure:

To meet with regulatory requirements the report has been published on our website www.isafic.com, for more detailed information about Investcorp Saudi Arabia Financial Investment Co. Pillar III Prudential Capital Disclosure.

Affiliated Companies to Investcorp Saudi Arabia Financial Investment Company:

There are no affiliated companies owned by Investcorp Saudi Arabia Financial Investment Co.

Plans and Decisions:

The Company has not undergone any business expansion or change in operations during the financial year. Meanwhile there is no interruption in the Company's operations ,except for the change in the ownership, which became wholly owned by Investcorp SA. In the event of a change in the regulatory rules of the licenses granted to the Company , the Company shall provide the Capital Market Authority with the addition of licenses to continue providing them and the existing services and products to its customers.however the Company has plans to expand the operations in the coming years.

Sincerely,