

APPENDIX F

**STANDARD CHARTERED CAPITAL
SAUDI ARABIA**
(A Saudi Closed Joint Stock Company)
Financial Statements
For the year ended 31 December 2015
together with the
Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Standard Chartered Capital Saudi Arabia
Riyadh, Kingdom of Saudi Arabia

We have audited the accompanying financial statements of **Standard Chartered Capital Saudi Arabia** ("the Company") which comprise the balance sheet as at 31 December 2015, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended and the attached notes (1) through (21) which form an integral part of these financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article 123 of the Regulations for Companies and the Company's by-laws and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation and fair presentation of the financial statements 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the financial statements taken as a whole:

- 1) present fairly, in all material respects, the financial position of **Standard Chartered Capital Saudi Arabia** ("the Company") as at 31 December 2015, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company; and
- 2) comply with the requirements of the Regulations for Companies and the Company's bye-laws with respect to the preparation and presentation of financial statements.

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdullah Hamad Al Fozan
License No. 348

Date: 22 Jumada'II 1437H
Corresponding to: 31 March 2016



STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
BALANCE SHEET
As at 31 December 2015
(Saudi Arabian Riyals)

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Current assets			
Cash and cash equivalents	4	101,674,621	99,903,263
Due from related parties	5 (a)	1,110,213	1,715,054
Receivables from customers	6	1,875,713	--
Prepayments and other assets	7	800,579	721,507
Advance tax	15 (b)	1,127,105	2,874,243
Total current assets		<u>106,588,231</u>	<u>105,214,067</u>
Non-current assets			
Deferred tax asset	15 (c)	4,833,422	4,972,317
Property and equipment, net	8	34,816	--
Total non-current assets		<u>4,868,238</u>	<u>4,972,317</u>
Total Assets		<u>111,456,469</u>	<u>110,186,384</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Due to related parties	5 (b)	1,862,371	2,434,071
Accrued expenses and other current liabilities	9	1,604,238	2,179,927
Share based incentive plans	16	--	206,806
Provision for taxation	15 (a)	740,410	2,653,242
Total current liabilities		<u>4,207,019</u>	<u>7,474,046</u>
Non-current liabilities			
Employees' end of service benefits	12	386,161	190,139
Total non-current liabilities		<u>386,161</u>	<u>190,139</u>
Total liabilities		<u>4,593,180</u>	<u>7,664,185</u>
Shareholders' equity			
Share capital	10	100,000,000	100,000,000
Statutory reserve	11	4,048,796	3,614,687
Retained earnings / (accumulated losses)		2,814,493	(1,092,488)
Total shareholders' equity		<u>106,863,289</u>	<u>102,522,199</u>
Total liabilities and shareholders' equity		<u>111,456,469</u>	<u>110,186,384</u>

The accompanying notes 1 through 21 form an integral part of these financial statements.

These financial statements and the notes 1 to 21 have been approved by the Board of Directors on 13 Jumada' II 1437 H corresponding to 22 March 2016 and are approved on their behalf by:

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
STATEMENT OF INCOME
For the year ended 31 December 2015
(Saudi Arabian Riyals)

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
REVENUE			
Arranging and advisory fee	<i>13</i>	14,592,140	26,117,209
Total Revenue		14,592,140	26,117,209
EXPENSES			
Operating expenses	<i>14</i>	(10,242,330)	(8,995,267)
Total Expenses		(10,242,330)	(8,995,267)
Operating profit		4,349,810	17,121,942
Commission income		546,860	532,892
Net profit before tax		4,896,670	17,654,834
Tax			
- Deferred tax	<i>15</i>	(138,895)	733,569
- Income tax	<i>15</i>	(416,685)	(3,175,932)
		(555,580)	(2,442,363)
Net profit for the year		4,341,090	15,212,471
Earnings per share	<i>18</i>	0.43	1.5

The accompanying notes 1 through 21 form an integral part of these financial statements.

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2015
(Saudi Arabian Riyals)

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
Cash flows from operating activities			
Net profit before tax for the year		4,896,670	17,654,834
<i>Adjustments for:</i>			
Charge / (reversal) of provision for employees' end of service benefits, net	12	196,022	(227,528)
Share based incentive plans		(206,806)	(138,027)
Depreciation	8	4,352	--
<i>Changes in operating assets and liabilities</i>			
Due from related parties		604,841	24,856,809
Prepayments and other current assets		(79,072)	220,230
Receivables from customers		(1,875,713)	--
Due to related parties		(571,700)	(907,366)
Accrued expenses and other current liabilities		(575,689)	126,380
Income tax paid		(582,379)	(3,832,323)
Advance tax paid		--	(2,874,243)
Net cash generated from operating activities		<u>1,810,526</u>	<u>34,878,766</u>
Changes in cash flows from investing activities			
Property and equipment	8	<u>(39,168)</u>	<u>--</u>
Net cash in investing activities		<u>(39,168)</u>	<u>--</u>
Net change in cash and cash equivalents		<u>1,771,358</u>	<u>34,878,766</u>
Cash and cash equivalents at the beginning of the year		<u>99,903,263</u>	<u>65,024,497</u>
Cash and cash equivalents at end of the year	4	<u>101,674,621</u>	<u>99,903,263</u>

The accompanying notes 1 through 21 form an integral part of these financial statements.

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2015
(Saudi Arabian Riyals)

	<u>Share capital</u>	<u>Statutory Reserve</u>	<u>(Accumulated losses)/ Retained earnings</u>	<u>Total</u>
Balance as at 31 December 2013	100,000,000	2,093,440	(14,783,712)	87,309,728
Net profit for the year	--	--	15,212,471	15,212,471
Transfer to statutory reserve	--	1,521,247	(1,521,247)	--
Balance as at 31 December 2014	100,000,000	3,614,687	(1,092,488)	102,522,199
Net profit for the year	--	--	4,341,090	4,341,090
Transfer to statutory reserve	--	434,109	(434,109)	--
Balance as at 31 December 2015	<u>100,000,000</u>	<u>4,048,796</u>	<u>2,814,493</u>	<u>106,863,289</u>

The accompanying notes 1 through 21 form an integral part of these financial statements.

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Standard Chartered Capital Saudi Arabia (the “Company”) is a Closed Joint Stock Company registered in the Kingdom of Saudi Arabia. The Company operates under commercial registration number 1010289274 dated 19 Jumada-II 1431H (corresponding to 2 June 2010).

The principal activities of the Company is to provide underwriting, dealing, arranging, advising, and keeping custody of financial securities pursuant to the Capital Market Authority ("CMA") number 09144-37, dated 11 Muharram 1431H (corresponding to 28 December 2009) in accordance with the General Investment Authority's (SAGIA) license No. 102031026237 dated 3 Rabi-I 1431H (corresponding to 17 February 2010).

The Company's registered office is located at the following address:

7th Floor, Al Faisaliah Tower
P.O. Box 295522
Riyadh 11351
Kingdom of Saudi Arabia

2 BASIS OF PREPARATION

(a) *Statement of compliance*

The accompanying financial statements have been prepared in accordance with the generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

(b) *Basis of measurement*

The financial statements have been prepared on historical cost convention except for liabilities for cash settled share based payment arrangements are measured at fair value, using the accrual basis of accounting and the going concern concept as explained in 2(e).

(c) *Functional and presentation currency*

These financial statements are presented in Saudi Arabian Riyals (SR) which is the functional currency of the Company.

(d) *Use of estimates and judgments*

The preparation of financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

STANDARD CHARTERED CAPITAL SAUDI ARABIA

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 **BASIS OF PREPARATION (Continued)**

(e) *Going concern*

The Company has accumulated surplus of SAR 2.8 million as at 31 December 2015 (2014: accumulated losses were SAR 1.09 million). In 2015 the Company made a profit of SR 4.3 million (2014: 15.2 million). The current assets mainly comprise of cash and cash equivalents and are significantly greater than current liabilities of the Company. Thus the Company has the resources to continue in business for the foreseeable future and the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, these financial statements have been prepared on a going concern basis.

3 **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

a) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash with banks and other short-term highly liquid investments with original maturities of three months or less, which are available to the Company without any restrictions.

b) *Property and equipment*

Property and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the income statement when incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of individual item of property and equipment. The estimated useful lives of assets for the period are as follow:

	<u><i>Years</i></u>
Furniture, fixture and office equipment	3
Computer software and hardware	3
Motor vehicles	3

c) *Employees' end of service benefits*

Employees' end of service benefits, calculated in accordance with Saudi Arabian Labour Regulations, are accrued and charged to Statement of Income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) *Assets held in trust or in a fiduciary capacity*

Assets held in trust or in a fiduciary capacity by the Company are not treated as assets of the Company and accordingly are not included in the financial statements; these are treated as off-balance sheet items.

e) *Impairment of financial assets*

Financial assets, property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

f) *Revenue recognition*

Revenue on transactions is recognized as follows:

- Arrangement fee income is recognized based on the applicable service contracts.
- Income from consultancy is recognized when the services are provided.
- Finance income on short term deposit is recognised on accrual basis.

g) *Payable and accruals*

Liabilities are recorded for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

h) *Provisions*

A provision is recognized if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

i) *Expenses*

Expenses are measured and recognized as a period cost at the time when they are incurred. Expenses related to more than one financial periods are allocated over such periods proportionately.

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015
(Saudi Arabian Riyals)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Offsetting

Financial assets and liabilities are offset and reported net in the balance sheet when there is legally enforceable right to set off the recognised amounts and when the Company intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

k) Income tax

Current

Income tax, computed in accordance with Saudi Arabian fiscal regulations, is accrued and charged to statement of income.

Under Saudi Arabian Income tax laws, income tax is the liability of foreign shareholders. Income tax is computed on the foreign shareholders' share of taxable income for the period. The Company is owned by foreign shareholders therefore it is liable to the income tax only (if any).

Deferred

Deferred income tax asset on carry forward losses is recognized to the extent that it is probable that future taxable income will be available against which such carry-forward tax losses can be utilized. Deferred income tax is determined using tax rates which have been enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

l) Share based incentive plans – Liability for Group

Certain employees of the Company are eligible for the share based incentive plans offered by the ultimate parent Company which will be settled in shares of Standard Chartered Bank.

The Company as the receiving entity has an obligation to settle in cash or other assets since the equity instruments are not its equity instruments and accordingly has classified the share based payment arrangement as cash settled in these financial statements.

The Company measures the services received by reference to the grant-date fair value of the equity instruments granted which is recognized as an expense over the vesting period served by the employees. The Company also recognizes any change in the fair value of the equity instruments during the employment period of the employees as an expense with a corresponding increase in the liability for group share based incentive plans.

4 CASH AND CASH EQUIVALENTS

	<u>2015</u>	<u>2014</u>
Cash at bank		
- Term deposits	4.1 89,000,000	98,300,000
- Current accounts	12,670,998	1,598,985
Cash in hand	3,623	4,278
	<u>101,674,621</u>	<u>99,903,263</u>

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015
(Saudi Arabian Riyals)

4 CASH AND CASH EQUIVALENTS (Continued)

- 4.1** Term deposits are placed with a local bank carrying interest at the rate of 0.15% (2014: 0.15%) which are due to maturity on 02 February 2016.

5. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's shareholders and all their affiliates and subsidiary companies are considered as related parties of the Company. Standard Chartered Bank ("SCB") is the major shareholder and Ultimate Parent of the Company.

In the ordinary course of business, the Company enters into transactions with related parties, which are based on prices and contract terms approved by the Company's management.

SCB, directly and through its affiliates, provides administrative and infrastructural support to the Company as and when required in addition to providing expertise in revenue generating activities partnering in various projects through revenue sharing arrangements. The Company's share in revenue for participating in these projects is included in its revenue as arranging fee.

The following are the details of major related party transactions during the year and the related balances at the end of the year:

5(a) Due from related parties

Related party	Nature of transaction	Amount of transaction		Balance	
		2015 <u>SAR</u>	2014 <u>SAR</u>	2015 <u>SAR</u>	2014 <u>SAR</u>
SCB UK Treasury	Revenue	11,026,786	26,094,543	148,731	660,088
SCB Malaysia Berhad	Revenue	699,684	--	699,866	--
Dubai International Finance Centre Br	Revenue	240,277	170	240,125	--
SCB Singapore ACU	Revenue	--	18,437	16,812	18,446
Standard Chartered Bank (HK) Ltd	Revenue	402	4,058	4,458	4,060
SCB Singapore DBU	Revenue	221	--	221	--
		11,967,370	26,117,209	1,110,213	682,594
MESA Regional Office	Employee related receivable	872,205	136,811	--	872,205
SCB UAE Branch	Employee related expenses recharge	160,255	512,706	--	160,255
		12,999,830	26,766,726	1,110,213	1,715,054

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015
(Saudi Arabian Riyals)

5. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

5(b) Due to related parties

Related party	Nature of transaction	Amount of transaction		Balance	
		2015 <u>SAR</u>	2014 <u>SAR</u>	2015 <u>SAR</u>	2014 <u>SAR</u>
SCB Regional Office UAE	IT and Employee related expenses incurred by related party	352,451	--	352,451	--
SCB Singapore	Expenses incurred by related party	221,269	67,286	312,159	90,890
Standard Chartered Bank(HK)Ltd	IT related expenses	1,482	--	1,482	--
SCB USA Branches	Employee related expenses	821,073	821,073	--	821,073
SC Strategic Brand Management	Royalty fee	91,245	75,306	90,225	181,470
SCB Head Office	Employee related expenses	31,549	480,217	39,769	8,220
SCB Bahrain Branch	Employee related expenses	483,401	--	483,401	--
SCB Pakistan Limited	Employee related expenses	4,426	16,537	57,993	53,567
MESA Regional Office	Employee related cost recharge and out of pocket expenses payable	469,386	--	469,386	--
SCB UK Treasury	Expenses incurred by related party	1,223,346	1,278,851	55,505	1,278,851
				<u>1,862,371</u>	<u>2,434,071</u>

6. RECEIVABLES FROM CUSTOMERS

Receivables from customers represents the receivable from local customers for the corporate finance advisory fee.

7. PREPAYMENTS AND OTHER ASSETS

	<u>2015</u>	<u>2014</u>
Prepayments	261,953	272,521
Advance Rent	296,650	300,290
Accrued interest receivable	164,897	4,505
Refundable deposits	54,330	64,330
Other Assets	22,749	79,861
	<u>800,579</u>	<u>721,507</u>

STANDARD CHARTERED CAPITAL SAUDI ARABIA

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

(Saudi Arabian Riyals)

8. PROPERTY AND EQUIPMENT

	<u>2015</u>				<u>2014</u>
	<u>Furniture, fixture and office equipment</u>	<u>Computer software and hardware</u>	<u>Motor Vehicles</u>	<u>Total</u>	<u>Total</u>
<u>Cost</u>					
Balance at 1 January	3,737,315	3,810,982	448,418	7,996,715	7,996,715
Additions	--	39,168	--	39,168	--
Balance at 31 December	<u>3,737,315</u>	<u>3,850,150</u>	<u>448,418</u>	<u>8,035,883</u>	<u>7,996,715</u>
<u>Accumulated depreciation</u>					
Balance at 1 January	3,737,315	3,810,982	448,418	7,996,715	7,996,715
Depreciation for the year	--	4,352	--	4,352	--
Balance at 31 December	<u>3,737,315</u>	<u>3,815,334</u>	<u>448,418</u>	<u>8,001,067</u>	<u>7,996,715</u>
Net book value at 31 December 2015	<u>--</u>	<u>34,816</u>	<u>--</u>	<u>34,816</u>	
Net book value at 31 December 2014	<u>--</u>	<u>--</u>	<u>--</u>		<u>--</u>

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015
(Saudi Arabian Riyals)

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>2015</u>	<u>2014</u>
Bonuses and employee related payables	707,491	1,499,229
Employee termination accrual	328,075	--
Professional services	273,000	239,834
Accrued expenses	238,955	389,536
Withholding tax payable	28,840	37,018
Other payables	27,877	14,310
	<u>1,604,238</u>	<u>2,179,927</u>

10. SHARE CAPITAL

At December 31, 2015 and 2014, the share capital of the Company was SR 100 million divided into 10,000,000 shares of SR 10 each, which are fully paid.

Following is the breakdown of the shareholding as at 31 December 2014 and 2015:

	<u>Number of shares</u>	<u>% of contribution</u>	<u>Amount SAR</u>
Standard Chartered Bank (SCB UK)	9,500,000	95.00%	95,000,000
Standard Chartered (GCT) Limited	125,000	1.25%	1,250,000
Standard Chartered UK Holding Limited	125,000	1.25%	1,250,000
SCMB Overseas Limited	125,000	1.25%	1,250,000
Standard Chartered Overseas Holdings Limited	125,000	1.25%	1,250,000
	<u>10,000,000</u>	<u>100%</u>	<u>100,000,000</u>

11. STATUTORY RESERVE

As required by the Saudi Arabian Regulations for Companies, 10% of the net income for the year shall be transferred to the statutory reserve until such reserve equals 50% of its share capital. The Company may resolve to discontinue such transfers when the reserve totals 50% of the share capital.

The statutory reserve is not available for distribution to the shareholders. However, the statutory reserve can be used for meeting the Company's losses or for increasing its capital.

12. EMPLOYEES' END OF SERVICE BENEFITS

	<u>2015</u>	<u>2014</u>
Balance at beginning of the year	190,139	417,667
Additions	492,178	68,421
Transfers	(296,156)	(23,562)
Payments	<u>--</u>	<u>(272,387)</u>
Balance at end of the year	<u>386,161</u>	<u>190,139</u>

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015
(Saudi Arabian Riyals)

13. ARRANGING AND ADVISORY FEE

		<u>2015</u>	<u>2014</u>
Arrangement fee	5 (a)	11,967,370	26,117,209
Advisory Fee		<u>2,624,770</u>	<u>--</u>
		<u>14,592,140</u>	<u>26,117,209</u>

14. OPERATING EXPENSES

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
Personnel expenses	14.1	6,075,962	7,660,414
IT related expenses		1,043,181	(2,012,503)
Premises related expenses		810,018	843,709
Outsourcing expenses		499,035	436,580
Directors' fee		389,063	228,125
Travelling and communication expenses		306,335	212,536
Utilities		226,709	277,453
Legal and professional charges		221,796	668,002
Regulatory fee		177,017	173,600
Advertising		142,711	14,013
Royalties		106,403	213,431
Office expense		105,314	140,244
Withholding tax		39,408	33,447
Depreciation		4,352	--
Others		95,026	106,216
		<u>10,242,330</u>	<u>8,995,267</u>

14.1 PERSONNEL EXPENSES

	<u>2015</u>	<u>2014</u>
Salaries and Allowances	4,585,624	4,392,440
Bonuses	393,639	1,654,465
Employee termination expenses	328,075	408,600
Staff rent	281,186	415,600
Staff Travel	148,626	199,369
Staff insurance	138,310	138,582
Staff Relocation	110,738	49,139
Other staff cost	89,764	402,219
	<u>6,075,962</u>	<u>7,660,414</u>

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015
(Saudi Arabian Riyals)

15. TAXATION

a) Provision for Income tax

Income tax charge consists of current year provision of SR 416,685 (2014: 3,175,932) based on 20% of the adjusted taxable profit. Differences between the financial and taxable profit are mainly due to the provisions and depreciation, which are charged at different rates for tax purposes.

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
Balance at 1 January		2,653,242	3,309,633
Charge for the year		416,685	3,175,932
Payments made during the year		--	(3,832,323)
Advance tax utilised		(2,329,517)	--
Balance at 31 December		<u>740,410</u>	<u>2,653,242</u>

b) Advance tax

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
Balance at 1 January		2,874,243	--
Offset against advance tax paid during the year		(2,329,517)	--
Payments made during the year		582,379	2,874,243
Balance at 31 December		<u>1,127,105</u>	<u>2,874,243</u>

c) Deferred tax asset

Deferred tax asset represents deferred tax relating to temporary differences on carried forward tax losses. The movement in recognized deferred tax assets during the year ended 31 December is summarized as under:

	<u>2015</u>	<u>2014</u>
Balance at 1 January	4,972,317	4,238,748
Deferred tax asset recognised	--	1,791,961
Amount utilized during the year	(138,895)	(1,058,392)
Deferred tax credit for the year	(138,895)	733,569
Balance at 31 December	<u>4,833,422</u>	<u>4,972,317</u>

c) Status of assessments

The Company has filed its Income tax returns for the period ended 31 December 2010, 31 December 2011, 31 December 2012 and 31 December 2014. No assessment has been raised by the Department of Zakat and Income Tax as yet.

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015
(Saudi Arabian Riyals)

16. SHARE BASED INCENTIVE PLANS – LIABILITY FOR GROUP

Certain employees of the Company are eligible for the share based incentive plans offered by the ultimate parent Company which will be settled in shares of Standard Chartered Bank.

The Company as the receiving entity has an obligation to settle in cash or other assets since the equity instruments are not its equity instruments and accordingly has classified the share based payment arrangement as cash settled in these financial statements.

As at 31 December 2015, the Company has released SAR 206,806 (2014: booked liability SAR 138,027) with respect to these plans which comprise grant-date fair value of the equity instruments granted and for the proportion of the vesting period served and changes in fair value of equity instruments granted till the reporting date.

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
Balance at 1 January		206,806	344,833
Charge for the year		18,397	286,480
Reversal		(17,268)	(88,657)
Paid during the year		(207,935)	(335,850)
Balance at 31 December		--	206,806

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the balance sheet include cash and cash equivalents, balances due to / due from related parties and other current liabilities.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company is exposed to credit risk on its cash and receivable from related parties. Cash is placed with local bank of sound repute. The receivable from related parties include amounts due from one of the major shareholders which has sound financial standing.

Special commission rate risk

Special commission rate risk arises from the possibility that the changes in commission rates may affect either the fair value or the future cash flows of the financial instruments. The Company does not have a significant special commission rate risk as cash is placed in a current account with the bank at a floating rate which resets frequently.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Company's future commitments. The Company is not exposed to the significant liquidity risk as the Company has adequate liquid assets available that exceeded current liabilities by SR 102.3 million (2014: 97.7 million) at the balance sheet date.

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015
(Saudi Arabian Riyals)

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal. In addition, as the Company's foreign currency transactions are primarily in US dollars which is pegged with the Saudi Riyal, foreign exchange gains and losses are not significant and have not been disclosed separately.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in absence, the most advantageous market to which the Company has access at that date. Consequently, differences can arise between the carrying values and fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

18. EARNINGS PER SHARE

Profit per share for the year ended 31 December 2015 and 31 December 2014 has been computed by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year which are 10 million shares.

19. COMPARITIVE FIGURES

Certain comparative figures have been reclassified, where necessary, to conform to the classification of current year's presentations.

20. CAPITAL MANAGEMENT

The capital that the Company is required to hold is determined by balance sheet, off - balance sheet, counterparty and other risk exposures. Suitable processes and controls are in place to monitor and manage capital adequacy and ensure compliance with local regulatory ratios. These processes are designed to ensure that Company has a sufficient capital available to meet local regulatory capital requirements at all times.

The Capital Market Authority (the "CMA") has issued Prudential Rules (the "Rules") dated 30 December 2012 (corresponding to 17 Safar 1434H). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under these Rules. In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

20. CAPITAL MANAGEMENT (Continued)

	<u>2015</u>	<u>2014</u>
<u>Capital Base</u>		
Tier I Capital	102,029,867	97,549,881
Tier II Capital	--	--
Total Capital Base	<u>102,029,867</u>	<u>97,549,881</u>
<u>Minimum capital requirement:</u>		
Credit risk	5,137,321	3,323,782
Market risk	37,148	55,604
Operational risk	3,899,741	3,620,158
Total Minimum Capital Required	<u>9,074,210</u>	<u>6,999,544</u>
<u>Capital Adequacy Ratio:</u>		
Total Capital Ratio (time)	11.24	13.94
Surplus in Capital	<u>92,955,657</u>	<u>90,550,337</u>

a) Capital Base of the Company comprise of

- Tier-1: consists of paid-up share capital, retained earnings, and reserves excluding revaluation reserves.
- Tier-2 capital: consists of subordinated loans with certain restrictions. The Company does not have any subordinated loans as a result the company does not have tier-2 capital.

b) The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in the Rules.

c) The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.

21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 13 Jumada' II 1437 H corresponding to 22 March 2016.