

**STANDARD CHARTERED CAPITAL
SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
Financial Statements
For the year ended 31 December 2017
together with the
Independent Auditors' Report**

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)

As at 31 December 2017
(Saudi Arabian Riyals)

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Independent auditors' report

**To the Shareholders of
Standard Chartered Capital Saudi Arabia
(A Saudi Closed Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia**

Opinion

We have audited the financial statements of Standard Chartered Capital Saudi Arabia (the "Company"), which comprise the balance sheet as at 31 December 2017, the statements of income, cash flows and changes in shareholders' equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at [end of reporting period], and its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting standards as issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are 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 generally accepted accounting standards as issued by SOCPA, the applicable requirements of the Regulations for Companies, 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.

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.

Auditors' 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 auditors' 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 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism 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.
- 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, then we are required to draw attention in our auditors' 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 auditors' 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 of **Standard Chartered Capital Saudi Arabia** (the "Company").

For KPMG Al Fozan & Partners
Certified Public Accountants



Abdullah Hamad Al Fozan
License No: 348

Date: 11 Rajab 1439H
Corresponding to: 28 March 2018



STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
BALANCE SHEET
As at 31 December 2017
(Saudi Arabian Riyals)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	4	100,152,704	102,588,626
Due from related parties	5 (a)	12,971,932	14,273,947
Receivables from customers	6	562,574	—
Prepayments and other assets	7	804,253	945,272
Advance tax	15 (b)	—	1,027,753
Total current assets		<u>114,491,463</u>	<u>118,835,598</u>
Non-current assets			
Deferred tax asset	15 (c)	4,326,196	4,327,461
Property and equipment, net	8	8,704	21,760
Total non-current assets		<u>4,334,900</u>	<u>4,349,221</u>
Total Assets		<u>118,826,363</u>	<u>123,184,819</u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Due to related parties	5 (b)	9,895,650	6,504,508
Accrued expenses and other current liabilities	9	2,541,835	2,306,951
Provision for taxation	15 (a)	87,061	1,540,622
Total current liabilities		<u>12,524,546</u>	<u>10,352,081</u>
Non-current liabilities			
Employees' end of service benefits	12	443,731	310,331
Total non-current liabilities		<u>443,731</u>	<u>310,331</u>
Total liabilities		<u>12,968,277</u>	<u>10,662,412</u>
Equity			
Share capital	10	100,000,000	100,000,000
Statutory reserve	11	4,739,046	4,614,708
Retained earnings		1,119,040	7,907,699
Total shareholders' equity		<u>105,858,086</u>	<u>112,522,407</u>
Total liabilities and shareholders' equity		<u>118,826,363</u>	<u>123,184,819</u>

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

These financial statements and the notes 1 to 19 have been approved by the Board of Directors on 04 Rajab 1439 H corresponding to 21 March 2018:

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
STATEMENT OF INCOME
For the year ended 31 December 2017
(Saudi Arabian Riyals)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
REVENUE			
Arranging and advisory fees	<i>13</i>	<u>13,480,126</u>	<u>17,844,316</u>
Total Revenue		<u>13,480,126</u>	<u>17,844,316</u>
OPERATING EXPENSES			
General and administration expenses	<i>14</i>	<u>(13,680,411)</u>	<u>(12,046,944)</u>
Total Expenses		<u>(13,680,411)</u>	<u>(12,046,944)</u>
Operating profit for the year		(200,285)	5,797,372
Interest income		<u>1,122,840</u>	<u>1,826,356</u>
Net profit before tax		922,555	7,623,728
Tax			
- Deferred tax	<i>15 (c)</i>	(1,265)	(505,961)
- Income tax	<i>15 (a)</i>	<u>322,088</u>	<u>(1,458,649)</u>
		320,823	(1,964,610)
Net profit for the year		<u>1,243,378</u>	<u>5,659,118</u>
Earnings per share	<i>17</i>	<u>0.12</u>	<u>0.57</u>

The accompanying notes 1 through 19 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 2017
(Saudi Arabian Riyals)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities			
Net profit before tax for the year		922,555	7,623,728
<i>Adjustments for:</i>			
Provision for employees' end of service benefits	12	133,400	144,035
Depreciation	8	13,056	13,056
<i>Changes in operating assets and liabilities</i>			
Due from related parties		1,302,015	(13,163,734)
Prepayments and other current assets		141,019	(144,693)
Receivables from customers		(562,574)	1,875,713
Due to related parties		3,391,142	4,642,137
Accrued expenses and other current liabilities		234,884	702,713
Income taxes paid		(103,720)	(559,085)
Employees' end of service benefits paid		--	(219,865)
Net cash generated from operating activities		<u>5,471,777</u>	<u>914,005</u>
Cash flows from a financing activity			
Dividends paid	10	(7,907,699)	--
Net cash used in financing activities		<u>(7,907,699)</u>	<u>--</u>
Net change in cash and cash equivalents		(2,435,922)	914,005
Cash and cash equivalents at the beginning of the year		<u>102,588,626</u>	<u>101,674,621</u>
Cash and cash equivalents at end of the year	4	<u><u>100,152,704</u></u>	<u><u>102,588,626</u></u>

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

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017
(Saudi Arabian Riyals)

	Share capital	Statutory Reserve	(Accumulated losses)/ Retained earnings	Total
Balance as at 31 December 2015	100,000,000	4,048,796	2,814,493	106,863,289
Net profit for the year	--	--	5,659,118	5,659,118
Transfer to statutory reserve	--	565,912	(565,912)	--
Balance as at 31 December 2016	100,000,000	4,614,708	7,907,699	112,522,407
Net profit for the year	--	--	1,243,378	1,243,378
Transfer to statutory reserve	--	124,338	(124,338)	--
Dividends paid (Note 10)	--	--	(7,907,699)	(7,907,699)
Balance as at 31 December 2017	100,000,000	4,739,046	1,119,040	105,858,086

The accompanying notes 1 through 19 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 2017

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Standard Chartered Capital Saudi Arabia (the "Company") is a Saudi 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").

Change in accounting framework effective 1 January 2018

As required by SOCPA, all other reporters' companies and organizations (non-listed and non-for-profit) are required to transition to International Financial Reporting Standards ("IFRS") or International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) when the criteria are applied and met as endorsed by SOCPA effective 1 January 2018 for preparation of their financial statements. The Company will prepare its financial statements effective 1 January 2018 under IFRS. In preparing the Company's first set of IFRS financial statements, the Company will analyze the impact of the first time adoption of IFRS on current and prior year financial statements and will accordingly incorporate the necessary adjustments to adopt certain accounting policies that may be different from current SOCPA generally accepted accounting standards.

(b) *Basis of measurement*

The financial statements have been prepared on historical cost convention.

STANDARD CHARTERED CAPITAL SAUDI ARABIA

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(c) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SR) which is the functional and presentation 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.

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 deposits with original maturities of three months or less from the date of acquisitions, 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>Years</u>
Furniture, fixture and office equipment	3
Computer software and hardware	3
Motor vehicles	3

c) Impairment of financial and non-financial assets

Financial assets, property 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.

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) *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.

e) *Short term employee benefits*

Short-term employee benefits are measured on an undiscounted basis and is expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

f) *Revenue recognition*

Revenue on transactions is recognized as follows:

- Arranging fee income is recognized based on the applicable service contracts.
- Advisory fees are recognized when the services are provided.
- Interest 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.

j) *Foreign currencies*

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the exchange rates prevailing at transaction dates. Monetary assets and liabilities at year-end, denominated in foreign currencies, are translated into Saudi Riyals at the exchange rates prevailing at the balance sheet date. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Income.

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017
(Saudi Arabian Riyals)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) *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.

l) *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.

4 CASH AND CASH EQUIVALENTS

		<u>2017</u>	<u>2016</u>
Cash at bank			
- Term deposits	4.1	91,000,000	97,000,000
- Current accounts		9,150,661	5,587,437
Cash in hand		2,043	1,189
		<u>100,152,704</u>	<u>102,588,626</u>

- 4.1** Term deposits are placed with a local bank carrying interest at the rate of 1.35% (2016: 2.12%) which are due to maturity on 18 January 2018.

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017
(Saudi Arabian Riyals)

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*

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transaction</u>		<u>Balance</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Standard Chartered Bank UAE Branch	Revenue	20,703	--	20,703	--
Standard Chartered Bank DIFC Branch	Revenue	12,896,849	13,901,520	12,898,930	14,141,677
Standard Chartered Bank, UK	Revenue	--	1,092,754	13,135	--
Standard Chartered Bank (Hong Kong) Limited	Revenue	--	--	--	4,458
Standard Chartered Bank Singapore Branch	Revenue	--	--	221	221
		12,917,552	14,994,274	12,932,989	14,146,356
Standard Chartered Bank, UK	Employee-related receivable	(28,874)	38,019	38,943	67,817
Standard Chartered Bank, UK, Head Office	Employee-related receivable	--	59,774	--	59,774
				<u>12,971,932</u>	<u>14,273,947</u>

STANDARD CHARTERED CAPITAL SAUDI ARABIA

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(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	
		2017 <u>SAR</u>	2016 <u>SAR</u>	2017 <u>SAR</u>	2016 <u>SAR</u>
Standard Chartered Bank UAE Branch	IT and Employee related expenses incurred by related party	19,683	250,834	52,288	101,617
Standard Chartered Bank Singapore Branch	IT Expenses	562,183	--	873,466	312,159
Standard Chartered Bank (Hong Kong) Limited	IT related expenses	17	(1,381)	2,880	2,863
Standard Chartered Bank, UK, Head Office	Employee Expenses	12,952	39,769	12,952	--
Standard Chartered Bank Bahrain Branch	Recruitment expenses	375,050	483,401	375,050	--
Standard Chartered Bank (Pakistan) Limited	Employee related expenses	57,955	9	115,957	57,993
Standard Chartered Bank, MESA Regional Office	Regional Cost Recharges	542,412	1,101,711	1,677,125	1,571,097
Standard Chartered Bank, UK	Regional Cost Recharges	1,764,709	3,757,314	5,587,863	3,812,819
Standard Chartered Bank Singapore Branch	Regional Cost Recharges	582,616	520,940	1,103,556	520,940
Standard Chartered Bank, Central Costs - SG	Regional Cost Recharges	(39)	97,678	94,513	97,678
Standard Chartered Global Business Services Company Limited	Outsourcing Recharge expenses	--	705	--	705
Standard Chartered Global Business Services Private Limited	Outstanding Recharge expenses	--	26,637	--	26,637
				<u>9,895,650</u>	<u>6,504,508</u>

Board of directors fee is included within operating expenses (see note 14)

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
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6. RECEIVABLES FROM CUSTOMERS

Receivables from customers represents receivable from local customers for corporate finance advisory services.

7. PREPAYMENTS AND OTHER ASSETS

	<u>2017</u>	<u>2016</u>
Accrued interest receivable	238,875	382,719
Advance rent	314,100	314,100
Prepayments	191,948	155,140
Refundable deposits	59,330	59,330
Other assets	--	33,983
	<u>804,253</u>	<u>945,272</u>

STANDARD CHARTERED CAPITAL SAUDI ARABIA
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NOTES TO THE FINANCIAL STATEMENTS
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8. PROPERTY AND EQUIPMENT

	2017			2016
	<u>Furniture, fixture and office equipment</u>	<u>Computer software and hardware</u>	<u>Motor Vehicles</u>	<u>Total</u>
<u>Cost</u>				
Balance at 1 January	3,737,315	3,850,150	448,418	8,035,883
Additions	--	--	--	--
Balance at 31 December	<u>3,737,315</u>	<u>3,850,150</u>	<u>448,418</u>	<u>8,035,883</u>
<u>Accumulated depreciation</u>				
Balance at 1 January	3,737,315	3,828,390	448,418	8,014,123
Depreciation for the year	--	13,056	--	13,056
Balance at 31 December	<u>3,737,315</u>	<u>3,841,446</u>	<u>448,418</u>	<u>8,027,179</u>
Net book value at 31 December 2017	<u>--</u>	<u>8,704</u>	<u>--</u>	<u>8,704</u>
Net book value at 31 December 2016	<u>--</u>	<u>21,760</u>	<u>--</u>	<u>21,760</u>

STANDARD CHARTERED CAPITAL SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017
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9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>2017</u>	<u>2016</u>
Bonuses and employee related payables	1,162,924	988,473
Professional services	644,867	482,423
Accrued expenses	366,255	334,528
Withholding tax payable	343,326	475,384
Other payables	24,463	26,143
	<u>2,541,835</u>	<u>2,306,951</u>

10. SHARE CAPITAL

At December 31, 2017 and 2016, 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 2017 and 2016:

	<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>

During the current year, dividends were declared by Board of Directors and paid by the Company during the year SR 0.79 per share.

11. STATUTORY RESERVE

As required by the Company's by-laws, 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>2017</u>	<u>2016</u>
Balance at beginning of the year	310,331	386,161
Additions during the year	133,400	144,035
Payments during the year	--	(219,865)
Balance at end of the year	<u>443,731</u>	<u>310,331</u>

STANDARD CHARTERED CAPITAL SAUDI ARABIA
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017
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13. ARRANGING AND ADVISORY FEES

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Arranging fees	5 (a)	12,917,552	14,994,274
Advisory fees		562,574	2,850,042
		<u>13,480,126</u>	<u>17,844,316</u>

14. OPERATING EXPENSES

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Personnel expenses	14.1	6,321,572	5,199,874
Regional and Head Office Recharge	14.2	3,967,656	2,711,390
Premises related expenses		969,268	846,559
Legal and professional charges		916,642	553,493
Directors' fee		468,750	543,750
Outsourcing expenses		243,995	535,493
Withholding tax		(29,293)	500,485
Travelling and communication expenses		119,109	229,248
IT related expenses		167,312	223,452
Regulatory fee		183,649	166,020
Utilities		191,340	159,561
Office expense		93,189	137,540
Advertising		--	118,856
Depreciation	8	13,056	13,056
Others		54,166	108,167
		<u>13,680,411</u>	<u>12,046,944</u>

14.1 PERSONNEL EXPENSES

	<u>2017</u>	<u>2016</u>
Salaries and Allowances	4,534,458	4,096,491
Bonuses	1,352,188	815,064
Staff travel	133,265	126,641
Staff insurance	160,101	72,644
Other	141,560	89,034
	<u>6,321,572</u>	<u>5,199,874</u>

14.2 REGIONAL AND HEAD OFFICE RECHARGE

This represents head office cost apportioned to the company by the ultimate parent based on the services rendered by the group. In previous years, this recharge was waived by the group due to accumulated losses of the Company.

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15. TAXATION

a) Provision for Income tax

Income tax charge consists of current year provision of SR 322,088 (2016: (1,458,649)) 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>2017</u>	<u>2016</u>
Balance at 1 January		1,540,622	740,410
(Credit) / charge for the year		(322,088)	1,458,649
Payments made during the year		(103,720)	--
Advance tax utilised		(1,027,753)	(658,437)
Balance at 31 December		<u>87,061</u>	<u>1,540,622</u>

b) Advance tax

	<u>2017</u>	<u>2016</u>
Balance at 1 January	1,027,753	1,127,105
Offset against advance tax paid during the year	(1,027,753)	(658,437)
Payments made during the year	--	559,085
Balance at 31 December	<u>--</u>	<u>1,027,753</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>2017</u>	<u>2016</u>
Balance at 1 January	4,327,461	4,833,422
Amount utilized during the year	(1,265)	(505,961)
Balance at 31 December	<u>4,326,196</u>	<u>4,327,461</u>

Temporary differences give rise to deferred tax asset which are recognised in Balance Sheet relating to non-Saudi shareholders. The deferred tax asset is recorded on unused tax losses, employees' end of service benefit and property and equipment.

d) Status of assessments

The Company has filed its Income tax returns for the period ended 31 December 2010, 31 December 2011, 31 December 2012, 31 December 2013, 31 December 2014, 31 December 2015 and 31 December 2016 . No assessment has been raised by the General Authority of Zakat and Tax (GAZT) till date. However, the GAZT requested certain additional information related the years 2010-2012 of which part of the information has been submitted by the Company.

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16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the balance sheet include cash and cash equivalents, balances due to / due from related parties, receivables from customers, accrued interest receivable and refundable deposits presented under 'Prepayments and other assets' (Note 7) and accrued expenses and other current liabilities, except withholding tax payable (Note 9).

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 102.0 million (2016: 108.5 million) at the balance sheet date.

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.

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17. EARNINGS PER SHARE

Profit per share for the year ended 31 December 2017 and 31 December 2016 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.

18. 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:

	<u>2017</u>	<u>2016</u>
<u>Capital Base</u>		
Tier I Capital	101,531,890	108,194,601
Tier II Capital	--	--
Total Capital Base	101,531,890	108,194,601
<u>Minimum capital requirement:</u>		
Credit risk	4,556,793	4,217,570
Market risk	82,259	160,678
Operational risk	3,420,103	3,011,736
Total Minimum Capital Required	8,059,155	7,389,984
<u>Capital Adequacy Ratio:</u>		
Total Capital Ratio (time)	12.6	14.64
Surplus in Capital	93,472,735	100,804,617

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.

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19. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 04 Rajab 1439 H corresponding to 21 March 2018.