

**STANDARD CHARTERED CAPITAL SAUDI ARABIA**  
(A Saudi Closed Joint Stock Company)  
**FINANCIAL STATEMENTS**  
For the year ended 31 December 2019  
together with the  
**Independent auditor's report**

**STANDARD CHARTERED CAPITAL SAUDI ARABIA**  
(A Saudi Closed Joint Stock Company)  
**FINANCIAL STATEMENTS**  
For the year ended 31 December 2019

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## Independent auditor's report

To the shareholder of Standard Chartered Capital Saudi Arabia

### Opinion

We have audited the financial statements of Standard Chartered Capital Saudi Arabia ("the Company"), which comprise the statement of financial position as at 31 December 2019, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, 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 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

### Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISA") 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 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 IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, 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.

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, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

## Independent auditor's report

To the shareholder of Standard Chartered Capital Saudi Arabia (continued)

### 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 ISA 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 ISA 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 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 of Standard Chartered Capital Saudi Arabia ("the Company").

**For KPMG AI Fozan & Partners**  
**Certified Public Accountants**



**Fahad Mubark Aldossari**

License no: 469

6 Shaban 1441H

Corresponding to: 30 March 2020



**STANDARD CHARTERED CAPITAL SAUDI ARABIA**  
(A Saudi Closed Joint Stock Company)  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**  
(Amounts in SAR)

	<i>Note</i>	<b>31 December 2019</b>	31 December 2018
<b><u>ASSETS</u></b>			
Cash and cash equivalents	7	<b>94,155,674</b>	98,528,007
Trade receivables	8	<b>4,135,398</b>	4,141,175
Due from related parties	12	<b>17,044,218</b>	4,330,497
Prepayments and other receivables	9	<b>707,230</b>	1,023,635
Deferred tax assets	14	<b>3,824,277</b>	4,411,406
Property and equipment, net	10	<b>384,121</b>	--
Right-of-use asset	11	<b>1,267,642</b>	--
<b>TOTAL ASSETS</b>		<b><u>121,518,560</u></b>	<u>112,434,720</u>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b><u>LIABILITIES</u></b>			
Due to related parties	12	<b>8,111,029</b>	4,526,033
Accruals and other payables	13	<b>1,764,262</b>	2,648,579
Taxes payable	14	<b>869,194</b>	5,591
Dividends payable	17	<b>1,100,000</b>	1,100,000
Lease liability	11	<b>1,065,848</b>	--
Employees' benefit obligation	15	<b>563,200</b>	429,300
<b>TOTAL LIABILITIES</b>		<b><u>13,473,533</u></b>	<u>8,709,503</u>
<b><u>SHAREHOLDERS' EQUITY</u></b>			
Share capital	16	<b>100,000,000</b>	100,000,000
Statutory reserve	17	<b>5,174,517</b>	4,739,046
Re-measurement of employees' benefit obligation	15	<b>12,165</b>	47,065
(Accumulated losses) / retained earnings		<b><u>2,858,345</u></b>	<u>(1,060,894)</u>
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b><u>108,045,027</u></b>	<u>103,725,217</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b><u>121,518,560</u></b>	<u>112,434,720</u>

The accompanying notes from 1 to 23 form an integral part of these financial statements.

**STANDARD CHARTERED CAPITAL SAUDI ARABIA**  
(A Saudi Closed Joint Stock Company)  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts in SAR)

	<i>Note</i>	<u><b>2019</b></u>	<u><b>2018</b></u>
Service fees	<i>12</i>	<b>9,222,790</b>	-
Arranging fees	<i>12</i>	<b>3,488,855</b>	4,291,756
Advisory fees		-	4,689,644
<b>Operating income</b>		<u><b>12,711,645</b></u>	<u>8,981,400</u>
General and administrative expenses	<i>18</i>	<u><b>9,034,250</b></u>	<u>11,881,147</u>
<b>Net operating income / (loss) for the year</b>		<u><b>3,677,395</b></u>	<u>(2,899,747)</u>
Special commission income		<u><b>2,257,716</b></u>	<u>1,759,496</u>
<b>Net income / (loss) before tax for the year</b>		<u><b>5,935,111</b></u>	<u>(1,140,251)</u>
Deferred tax expense / (credit)	<i>14</i>	<b>587,128</b>	(88,189)
Current income tax	<i>14</i>	<u><b>993,273</b></u>	<u>10,918</u>
<b>Net income / (loss) for the year</b>		<u><b>4,354,710</b></u>	<u>(1,062,980)</u>

The accompanying notes from 1 to 23 form an integral part of these financial statements.

**STANDARD CHARTERED CAPITAL SAUDI ARABIA**  
(A Saudi Closed Joint Stock Company)  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts in SAR)

	<u><i>Note</i></u>	<u><b>2019</b></u>	<u><b>2018</b></u>
<b>Net income / (loss) for the year</b>		<b>4,354,710</b>	(1,062,980)
<b>Other comprehensive income</b>			
<i>Item that cannot be reclassified subsequently to statement of income</i>			
Actuarial (losses) / gains on end of service benefits	15	<u>(34,900)</u>	<u>11,919</u>
<b>Total comprehensive income / (loss) for the year</b>		<u><b>4,319,810</b></u>	<u>(1,051,061)</u>

The accompanying notes from 1 to 23 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 2019**  
(Amounts in SAR)

	Share capital	Statutory reserve	Re-measurement of employees' benefits obligation	Retained earnings	Total
<b>Balance at 1 January 2018</b>	100,000,000	4,739,046	35,146	1,102,086	105,876,278
Net loss for the year	--	--	--	(1,062,980)	(1,062,980)
Other comprehensive income	--	--	11,919	--	11,919
Total comprehensive income	--	--	11,919	(1,062,980)	(1,051,061)
Dividends declared	--	--	--	(1,100,000)	(1,100,000)
<b>Balance at 31 December 2018</b>	<u>100,000,000</u>	<u>4,739,046</u>	<u>47,065</u>	<u>(1,060,894)</u>	<u>103,725,217</u>
<b>Balance at 1 January 2019</b>	<b>100,000,000</b>	<b>4,739,046</b>	<b>47,065</b>	<b>(1,060,894)</b>	<b>103,725,217</b>
Net income for the year	--	--	--	<b>4,354,710</b>	<b>4,354,710</b>
Other comprehensive loss	--	--	<b>(34,900)</b>	--	<b>(34,900)</b>
Total comprehensive income	--	--	<b>(34,900)</b>	<b>4,354,710</b>	<b>4,319,810</b>
Transfer to statutory reserves	--	<b>435,471</b>	--	<b>(435,471)</b>	--
<b>Balance at 31 December 2019</b>	<u><b>100,000,000</b></u>	<u><b>5,174,517</b></u>	<u><b>12,165</b></u>	<u><b>2,858,345</b></u>	<u><b>108,045,027</b></u>

The accompanying notes from 1 to 23 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 2019**  
(Amounts in SAR)

	<b>31 December 2019</b>	31 December 2018
<b>Cash flows from operating activities:</b>		
Net income / (loss) for the year	5,935,111	(1,140,251)
<i>Adjustments to reconcile net income / (loss) for the year to net cash used in operating activities:</i>		
Depreciation	649,941	8,704
Employees' benefit expense (note 15)	114,100	126,400
Lease liability financing cost (note 11)	67,428	
<i>(Increase) / decrease in operating assets:</i>		
Trade receivables	5,777	(3,578,601)
Due from related parties	(12,713,722)	8,641,435
Prepayments and other assets	21,103	(219,382)
<i>Increase / (decrease) in operating liabilities:</i>		
Accruals and other payables	(864,437)	94,703
Due to related parties	3,584,998	(5,369,617)
<b>Net cash from operations</b>	<b>(3,199,701)</b>	<b>(1,436,609)</b>
Income taxes paid	(129,670)	(92,388)
Employees' benefit obligation paid	(15,100)	(95,700)
<b>Net cash used in operating activities</b>	<b>(3,344,471)</b>	<b>(1,624,697)</b>
<b>Cash flows from investing activity:</b>		
Additions of property and equipment	(473,462)	--
<b>Net cash used in investing activity</b>	<b>(473,462)</b>	<b>--</b>
<b>Cash flows from financing activity:</b>		
Principal payment of lease liability	(554,400)	--
<b>Net cash used in financing activity</b>	<b>(554,400)</b>	<b>--</b>
<b>Net change in cash and cash equivalents</b>	<b>(4,372,233)</b>	<b>(1,624,697)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>98,528,007</b>	<b>100,152,704</b>
<b>Cash and cash equivalents at end of the year</b>	<b>94,155,674</b>	<b>98,528,007</b>

The accompanying notes from 1 to 23 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 2019**  
(Amounts in SAR)

**1. CORPORATE INFORMATION**

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 are to provide underwriting, dealing, arranging, advising and keeping custody of financial securities pursuant to its Capital Market Authority (“CMA”) license number 09144-37, dated 11 Muharram 1431H (corresponding to 28 December 2009) in accordance with the Saudi Arabia General Investment Authority (“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:

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

**2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants (“SOCPA”) and in compliance with the applicable requirements of the Regulation of Companies in the Kingdom of Saudi Arabia and the By-laws of the Company.

**3. BASIS OF MEASUREMENT AND PRESENTATION**

These financial statements have been prepared on a historical cost basis, except employees’ benefits obligation, using the accrual basis of accounting and the going concern concept. Employees’ benefits obligation is measured at present value of future obligations using the projected unit credit method.

These financial statements of the Company have been presented in Saudi Riyal, which also represents the functional and presentation currency.

Assets and liability balances are presented in the statement of financial position in the order of liquidity.

**4. USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS**

The preparation of the Company’s financial statements in accordance with IFRS as endorsed in KSA requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities, and the disclosure of contingent liabilities as at the reporting date.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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**4. USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)**

Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Valuation of employees' benefits obligation (notes 6.2 & 15)
- Recoverability of deferred tax assets (notes 6.6 & 14c)

**5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**

***IFRS 16 Leases***

Effective 1 January 2019, the Company has adopted IFRS 16 'Leases', the impact of the adoption of this standard is explained below.

The standard replaces the existing guidance on leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognised in the company's statement of financial position, unless the term is twelve months or less or the lease is for a low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for lessees. For each lease, the lessee recognises a liability for the lease obligations incurred in the future. Correspondingly, a right of use the leased asset is capitalised, which is generally equivalent to the present value of the future lease payments plus directly attributable costs, which are amortised over the estimated useful life.

The Company has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right of use the leased assets was generally measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018, discounted using the Company's incremental borrowing rate at the time of first time application.

IFRS 16 transition disclosures also requires the Company to present the reconciliation of the off-balance sheet lease obligations. As of 31 December 2018, lease obligations are reconciled as follows to the recognized lease liability as of 1 January 2019.

**Reconciliation of lease liability**

<b>Off-balance sheet lease obligations as at 31 December 2018</b>	1,939,200
Current leases with a lease term of 12 months or less and low-value leases	--
<b>Net lease obligations as of 1 January 2019 (gross without discounting)</b>	<u>1,939,200</u>
<b>Discounted lease liability due to initial application of IFRS 16 as of 1 January 2019</b>	<u>1,812,439</u>

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**5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Standards issued but not yet effective*

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards when they become effective and do not expect that there would be a material impact to the financial statements.

<i>Standard / Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
Amendments to IFRS 3	Definition of business	1 January 2020
Amendments to IAS 1	Classification of liabilities	1 January 2022
IFRS 17	Insurance Contracts	1 January 2022
IFRS 7, IFRS 9	Pre replacement issues in the context of the IBOR reforms	1 January 2020

**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented except for the adoption of the new standard. Where policies are applicable only from or before 1 January 2019, those policies have been particularly specified.

**6.1 Fair value**

Fair value is the price that may be received against the sale of an asset or the conversion of an obligation in an organized transaction between the market participants on the measurement date. The fair value measurement assumes that the transaction for the sale of the asset or the transfer of the obligation can occur either:

- In the primary market of the asset or obligation; or
- In the absence of the primary market, in the most appropriate markets for the asset or liability.

The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset at its maximum and best use or by selling it to another market participant who may use the asset at its maximum and best use.

All assets and liabilities whose fair values are measured or disclosed in the financial statements are classified in the fair value hierarchy. This is described as follows, based on the lowest input level that is important for the overall measurement:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Evaluation techniques where the lowest entry level is important for measuring fair value directly or indirectly; and
- Level 3 - Evaluation techniques where the lowest input level cannot be monitored is important for fair value measurement.

For assets and liabilities that are measured in the financial statements at fair value on a recurring basis, the Company determines whether transfers have been made between hierarchy levels by reassessing the classification (based on the lowest input level that is significant for the overall measurement) at the end of each reporting period.

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6.2 Employees' benefits**

*Short-term employee benefits*

Short-term employee benefits are those amounts expected to be settled wholly within 12 months from the end of the period in which the employees render the service that gives rise to the benefits.

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves and benefits-in-kind that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations under "accruals and other payables" in the statement of financial position.

*Post-employment benefits obligation*

The Company provides end of service benefits to its employees in accordance with the requirements of Articles 87 and 88 of the Saudi Arabian Labor Law. The entitlement to these benefits, is based upon the employees' basic salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are recognised over the service period. The employee benefits obligation plan is not funded. The valuation of the obligation under those plans is carried out by an independent actuary based on the projected unit credit method.

The liability recognised in the statement of financial position is the present value of the employees' benefits obligation at the end of the reporting period. The employees' benefits obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the employees' benefits obligation is determined by discounting the estimated future cash outflows using special commission rates of US AA-rated corporate bond yields.

Past-service costs, if any, are recognised immediately in the statement of income.

The special commission cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in salaries and wages in the statement of income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

**6.3 Revenue recognition**

The Company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company. The revenue is recognised when the Company transfers the services to customers at an amount that the Company expects to be entitled to in exchange for those services.

The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as a principal in its revenue arrangements since it has exposure to the significant risks and rewards. The details of the above revenues and the method of their recognition in accordance with IFRS 15 are as follows:

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6.3 Revenue recognition (continued)**

- a. *Arranging fee income* is recognised in the accounting period in which the services are rendered based on the applicable service contracts.
- b. *Service fee and advisory fee* are recognised in the accounting period in which the services are rendered based on the applicable contracts.

**6.4 Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the items.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

Subsequent expenditure are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal expenditures for repair and maintenance are charged to the statement of income.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. In case of reversal of impairment loss, impairment loss is recognised in statement of income to the extent that, what the depreciated historical cost would have been if the impairment had not been recognised.

The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture, fixture and office equipment	3 years
Computer software and hardware	3-5 years
Motor vehicles	3 years

**6.5 Accounting for leases**

***Policy on or after from 1 January 2019***

**Right of use asset / Lease liability**

For each lease, the lessee recognises a liability for the lease obligations incurred in the future. Correspondingly, a right of use the leased asset is capitalised, which is generally equivalent to the present value of the future lease payments plus directly attributable costs, which are amortised over the estimated useful life.

**Right of use assets**

The Company applies cost model, and measures right of use asset at cost:

1. less any accumulated depreciation and any accumulated impairment losses; and
2. adjusted for any re-measurement of the lease liability for lease modifications.

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6.5 Accounting for leases (continued)**

**Lease liability**

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

After the commencement date, Company measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability;
2. Reducing the carrying amount to reflect the lease payments made; and
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

***Policy before 1 January 2019***

**Operating leases**

Rental expenses under operating lease is charged to the statement of income over the period of the respective lease on a straight-line basis.

**6.6 Foreign currencies**

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which were not significant for the period, are recognized in the statement of income.

**6.7 Income tax and value-added tax ("VAT")**

***Current***

Income tax, computed in accordance with Saudi Arabian tax 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 a foreign shareholder, therefore it is liable to the income tax.

***Deferred***

Deferred tax liability, if any, is recognised for all temporary differences. Deferred 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 realised or the deferred income tax liability is settled.

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6.7 Income tax and value-added tax (“VAT”) (continued)**

*VAT*

The Company collects VAT from its customers for qualifying services provided and make VAT payments to its vendors for qualifying payments. On a monthly basis, net VAT remittances are made to the GAZT representing VAT collected from its customers, net of any recoverable VAT on payments. Unrecoverable VAT is borne by the Company and is either expensed, or in the case of property and equipment and intangibles payments, is capitalized and either depreciated or amortized as part of the capital cost.

**6.8 Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Where there are number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognised as commission expense.

**6.9 Dividends**

Dividends are recorded in the financial statements in the period in which they are approved in an Ordinary General Assembly after approval by the Board of Directors of the Company.

**6.10 Statutory reserve**

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company’s Article of Association, the Company has established a statutory reserve in which the Company appropriates 10% of its annual net income until this reserve reaches 30% of the share capital. This reserve cannot be distributed as dividends.

**6.11 Financial instruments**

The Company recognizes a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

At initial recognition, the Company recognizes a financial instrument at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

**i) Financial assets**

IFRS 9 requires all financial assets to be classified and subsequently measured at either amortized cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition.



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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6.11 Financial instruments (continued)**

*i) Financial assets*

Financial assets are classified into the following specified categories under IFRS 9:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through income statement (FVTIS).

As at 31 December 2019 and 2018, the Company only holds debt instruments measured at amortised cost.

*(a) Financial assets classified as amortised cost*

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, it is measured at fair value.

The Company makes an assessment of a business model at portfolio level as this best reflects the way the business is managed and information is provided to management. In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers various factors.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Income is recognised on an effective yield basis for debt instruments measured subsequently at amortised cost. Special commission is recognised in the statement of income.

Debt instruments that are subsequently measured at amortised cost are subject to impairment.

*(b) Impairment of financial assets*

The Company recognises a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortised cost. The amount of ECL reflects changes in credit risk since initial recognition of the respective financial instrument.

The Company applies the simplified approach to calculate impairment on its financial assets at amortised cost, whenever applicable and this always recognises lifetime ECL on such exposures. ECL on these financial assets are estimated using net flow rate method based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The Company recognises impairment loss, if any, in the statement of income with a corresponding adjustment to their carrying amount through a loss allowance account.

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6.11 Financial instruments (continued)**

*Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Company neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and associated liability for amounts it may have to receive or pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received.

*ii) Financial liabilities*

Financial liabilities carried at amortised cost have been classified and measured at amortised cost using the effective yield method.

All financial liabilities of the Company is classified and carried at amortised cost.

*Derecognition of financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

**7. CASH AND CASH EQUIVALENTS**

	<b>31 December 2019</b>	31 December 2018
Cash on hand	-	1,905
Cash at banks	<b>14,155,674</b>	18,526,102
Term deposits	<b>80,000,000</b>	80,000,000
	<b><u>94,155,674</u></b>	<b><u>98,528,007</u></b>

Term deposits are placed with Standard Chartered Bank - UAE carrying average special commission rate of 2.60%. (December 2018: 2.63%)

**8. TRADE RECEIVABLES**

Trade receivables represent receivable from local customers for corporate finance advisory services. These are short-term in nature and determined to be low credit risk. All the amount has been received subsequent to the year end.

**9. PREPAYMENTS AND OTHER RECEIVABLES**

	<b>31 December 2019</b>	31 December 2018
Accrued special commission receivable	<b>364,000</b>	443,722
Prepayments	<b>153,025</b>	179,641
VAT receivable	<b>130,875</b>	26,842
Refundable deposits	<b>59,330</b>	59,330
Advanced rent	--	314,100
	<b><u>707,230</u></b>	<b><u>1,023,635</u></b>

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**10. PROPERTY AND EQUIPMENT, NET**

	<b><u>Furniture, fixture and office equipment</u></b>	<b><u>Computer software and hardware</u></b>	<b><u>Motor vehicles</u></b>	<b><u>Work in progress</u></b>	<b><u>Total</u></b>
<b>Cost:</b>					
1 January 2018	3,737,315	3,850,150	448,418	--	8,035,883
Additions	--	--	--	--	--
31 December 2018	3,737,315	3,850,150	448,418	--	8,035,883
Additions	--	406,748	--	66,714	473,462
<b>31 December 2019</b>	<b>3,737,315</b>	<b>4,256,898</b>	<b>448,418</b>	<b>66,714</b>	<b>8,509,345</b>
<b>Accumulated depreciation:</b>					
1 January 2018	3,737,315	3,841,446	448,418	--	8,027,179
Charge for the year	--	8,704	--	--	8,704
31 December 2018	3,737,315	3,850,150	448,418	--	8,035,883
Charge for the year	--	89,341	--	--	89,341
<b>31 December 2019</b>	<b>3,737,315</b>	<b>3,939,491</b>	<b>448,418</b>	<b>--</b>	<b>8,125,224</b>
<b>Net Book value</b>					
31 December 2018	--	--	--	--	--
<b>31 December 2019</b>	<b>--</b>	<b>317,407</b>	<b>--</b>	<b>66,714</b>	<b>384,121</b>

**11. RIGHT-OF-USE ASSETS, NET / LEASE LIABILITY**

The Company has one lease contract representing its office space.

**Lease liability**

<i>Undiscounted cash flows based on lease term</i>	<b>1,939,200</b>
Lease liability, 1 January 2019	<b>1,812,439</b>
Amortisation of discount	<b>67,428</b>
Payment of lease liability	<b>(554,400)</b>
Impact of lease modification	<b>(259,619)</b>
Lease liability, 31 December 2019	<b>1,065,848</b>

**Right-of-use assets**

Right-of-use assets, 1 January 2019	<b>2,087,861</b>
Impact of lease modification	<b>(259,619)</b>
Depreciation	<b>(560,600)</b>
Right-of-use assets, 31 December 2019	<b>1,267,642</b>

On the transition date, the management has computed the minimum lease payment based on the existing lease contract. However, upon renewal in May 2019, the annual lease payment has been reduced and was accounted as lease modification. The Company calculates the present value of the minimum lease payments using the Company's incremental borrowing rate of 4.96% over the lease term and amortises the right-of-use asset using the straight-line method over the lease term.

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**12. RELATED PARTIES TRANSACTIONS AND BALANCES**

The Company's shareholders and its affiliates are considered as related parties of the Company. Standard Chartered Bank ("SCB") is the only 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 infrastructure 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. In 2019, SCB and the Company has implemented revised transfer pricing arrangements which is cost-plus model. The Company's share in revenue for participating in these projects is included in its revenue as arranging and service fees.

The Company considers the Chief Executive Officer, Chief Financial Officer, Head of Compliance and Finance Manager as the key management personnel. The following shows the composition of the compensation of the Company's key management personnel.

	<u>2019</u>	<u>2018</u>
Salaries and other benefits	<b>1,721,613</b>	3,538,410
End of service benefits	<b>(15,161)</b>	56,648
	<b><u>1,706,452</u></b>	<b><u>3,595,058</u></b>

For the years ended 31 December 2019 and 2018, the Company's Board of Directors fees amounted to SR 0.41 million and SR 0.62 million, respectively (note 18).

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

	Relationship	Nature of transactions	<u>Amount of transactions for the year</u>		<u>Balance at end of the year</u>	
			<u>31 December 2019</u>	<u>31 December 2018</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
<b><u>Due from related parties</u></b>						
Standard Chartered Bank, UK	Shareholder	Revenue	<b>9,222,790</b>	--	<b>12,713,355</b>	--
Standard Chartered Bank, DIFC Branch	Affiliate	Revenue	<b>3,488,855</b>	<b>4,291,756</b>	<b>4,295,231</b>	4,294,865
Standard Chartered Bank UAE Branch	Affiliate	Revenue	--	--	<b>20,709</b>	20,709
		Employee-related				
Standard Chartered Bank, UK	Shareholder	receivable	--	--	<b>14,923</b>	14,923
					<b><u>17,044,218</u></b>	<b><u>4,330,497</u></b>

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**12 RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)**

			Amount of transactions for the year		Balance at end of the year	
	Relationship	Nature of transactions	31 December 2019	31 December 2018	31 December 2019	31 December 2018
<i><b>Due to related parties</b></i>						
Standard Chartered Bank UAE Branch	Affiliate	IT expenses	12,318	78,356	149,766	137,448
Standard Chartered Bank Singapore Branch	Affiliate	IT expenses, Software Assets and Regional and Head Office Recharge	2,270,505	734,376	3,882,979	1,612,474
Standard Chartered Bank (Hong Kong) Limited	Affiliate	IT related expenses	1,177	59	2,638	1,461
Standard Chartered Bank, UK, Head Office	Affiliate	Employee expenses	-	(12,702)	--	--
Standard Chartered Bank Bahrain Branch	Affiliate	Employee Related Expenses and Media Cost	63,916	43,393	107,327	43,411
Standard Chartered Bank, UK	Shareholder	Regional cost recharges and IT expenses	938,380	1,755,722	3,206,460	2,059,225
Standard Chartered Bank, MESA Regional Office	Affiliate	Regional cost recharges	66,017	119,684	486,958	420,941
Standard Chartered Bank Singapore Branch	Affiliate	Regional cost recharges	(15,762)	(1,030,643)	137,644	153,406
Standard Chartered Bank, Central Costs – SG	Affiliate	Regional cost recharges	--	--	97,675	97,667
Standard Chartered Global Business Services Company Limited	Affiliate	Outsourcing recharge expense	2,251	--	2,251	--
Standard Chartered Global Business Services Private Limited	Affiliate	Outsourcing recharge expense	37,331	--	37,331	--
					8,111,029	4,526,033

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**13. ACCRUALS AND OTHER PAYABLES**

	<b>31 December 2019</b>	31 December 2018
Bonuses and employee related payables	<b>865,179</b>	1,048,768
Professional services	<b>623,534</b>	637,833
Accrued expenses	<b>180,961</b>	805,804
Withholding tax payable	<b>51,476</b>	113,062
Other payables	<b>43,112</b>	43,112
	<b><u>1,764,262</u></b>	<b><u>2,648,579</u></b>

**14. TAXATION**

**a) *Provision for income tax***

Income tax charge consists of current year provision based on 20% of the taxable profit. Differences between the financial and taxable profit are mainly due to the provisions and depreciation.

**b) *Movement in taxes payable***

	<b>31 December 2019</b>	31 December 2018
At beginning of the year	<b>5,591</b>	87,061
Income tax provision for the year	<b>869,194</b>	10,918
Prior year provision	<b>124,079</b>	--
Payments during the year	<b>(129,670)</b>	(92,388)
At end of the year	<b><u>869,194</u></b>	<b><u>5,591</u></b>

**c) *Deferred tax assets***

Deferred tax assets represent deferred taxes relating to temporary differences and carried forward tax losses as follows:

	<b>31 December 2019</b>	31 December 2018
Property and equipment, net	<b>375,118</b>	440,572
Employees' end of service benefits	<b>112,640</b>	85,860
Carry forward losses	<b>3,336,519</b>	3,884,974
<b>Deferred tax assets</b>	<b><u>3,824,277</u></b>	<b><u>4,411,406</u></b>

Whilst the Company has incurred net loss in 2018 amounting to SR 1.06 million, management believes that based on its business plan that there will be enough taxable profit in the subsequent years from which these deferred tax assets will be utilized. Furthermore, the execution of the new transfer pricing agreement in 2019 which is on a cost-plus basis is expected to provide sufficient taxable income to the Company in the coming years.

**d) *Status of tax assessments***

The Company has filed its income tax returns for the years ended 31 December 2010 to 2018. Up to now, there has been no tax assessment raised by the General Authority Zakat and Tax ("GAZT"). However, GAZT requested certain additional information related to taxable year 2018 of which information has been submitted by the Company. No further correspondence has been received from GAZT.

Also, the Company was assessed by the GAZT of additional withholding tax of SR 0.10 million for years 2010-2012. The Company has appealed and escalated to the General Secretariat of Tax Committees and now waiting for updates.

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**15. EMPLOYEES' BENEFITS OBLIGATION**

The Company operates an end of service benefit plan for its staff based on the prevailing Saudi Arabian Labor Law.

The movements in provision for employees' benefits obligation is as follows:

	<b>31 December 2019</b>	31 December 2018
Balance at beginning of the year	<b>429,300</b>	413,500
Current service cost	<b>98,900</b>	114,900
Special commission cost	<b>15,200</b>	11,500
Amount recognised in statement of income	<b>114,100</b>	126,400
Re-measurement losses / (gains) recognised in other comprehensive income	<b>34,900</b>	(14,900)
Benefits paid during the year	<b>(15,100)</b>	(95,700)
<b>Balance at the end of the year</b>	<b>563,200</b>	429,300

Re-measurement losses / (gains) recognised in other comprehensive income for the year is as follows:

	<b>31 December 2019</b>	31 December 2018
Effect of change in financial assumptions	<b>34,400</b>	(18,400)
Effect of experience adjustments	<b>500</b>	3,500
<b>Re-measurement losses / (gains) recognised in other comprehensive income</b>	<b>34,900</b>	(14,900)

The following were the principal actuarial assumptions:

	<b>31 December 2019</b>	31 December 2018
Discount rate	<b>2.5%</b>	3.8%
Expected annual salary increment	<b>3.7%</b>	3.7%

During 2019, the discount rate has been reduced to SR 2.5% to reflect the current market yields of sovereign bonds considering the average duration of the obligation.

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation are shown below (the amounts represent the ending balance of the employees' benefit obligation):

	<b>31 December 2019</b>		<b>31 December 2018</b>	
	<b><u>Increase</u></b>	<b><u>Decrease</u></b>	<b><u>Increase</u></b>	<b><u>Decrease</u></b>
Discount rate, (0.25% movement)	<b>(7,100)</b>	<b>7,500</b>	(5,400)	5,700
Expected salary increase rate, (0.25% movement)	<b>7,500</b>	<b>(7,200)</b>	5,700	(5,500)

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**15. EMPLOYEES' BENEFITS OBLIGATION (CONTINUED)**

The maturity profile of the obligation is as follows:

	<b>31 December 2019</b>	31 December 2018
Expected distribution of timing of benefit payments:		
Year 1	<b>65,000</b>	57,000
Year 2	<b>73,600</b>	65,000
Year 3	<b>82,700</b>	73,600
Year 4	<b>86,500</b>	82,700
Year 5	<b>90,000</b>	86,500
Year 6 and above	<b>411,100</b>	427,700

**16. SHARE CAPITAL**

The authorized, issued and fully paid share capital of the company consists of 10 million shares of SAR 10 each (2018: 10 million shares of SAR 10 each). The ownership of the Company's share capital is as follows as at 31 December 2019 and 2018:

	<b>Number of shares</b>	<b>% of ownership</b>	<b>Amount (in SAR)</b>
Standard Chartered Bank (SCB UK)	10,000,000	100%	100,000,000
	<b>10,000,000</b>	<b>100%</b>	<b>100,000,000</b>

**17. STATUTORY RESERVE AND DECLARATION OF DIVIDENDS**

In accordance with the Regulations for Companies in Saudi Arabia, the Company established a statutory reserve by the appropriation of 10% of net income until the reserve equaled 30% of the share capital. This reserve is not available for distribution.

On 12 September 2018, the Company's Board of Directors and shareholders held its Extraordinary General Assembly ("EGA") meeting where dividends amounting to SR 1.10 million (SR 0.11 per share) were declared and approved. As at 31 December 2019 and 2018, these dividends are outstanding.

**18. GENERAL AND ADMINISTRATION EXPENSES**

	<b>2019</b>	<b>2018</b>
Salaries and wages	<b>3,566,958</b>	5,962,850
Regional and Head Office recharge	<b>1,716,248</b>	1,473,329
Depreciation	<b>649,941</b>	8,704
Outsourcing expenses	<b>552,651</b>	634,398
Legal and professional charges	<b>544,120</b>	999,585
IT related expenses	<b>503,128</b>	217,931
Directors' fee	<b>414,229</b>	618,750
Premise related expenses	<b>362,971</b>	969,382
Utilities	<b>223,485</b>	273,601
Regulatory fee	<b>201,861</b>	218,668
Offices expenses	<b>173,988</b>	169,764
Travelling and communication expenses	<b>29,736</b>	96,824
VAT and other taxes	<b>25,195</b>	24,070
Advertising	<b>-</b>	153,750
Others	<b>69,739</b>	59,541
	<b>9,034,250</b>	<b>11,881,147</b>



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### 18. GENERAL AND ADMINISTRATION EXPENSES (CONTINUED)

Regional and Head Office cost are apportioned to the Company by the ultimate parent based on the services rendered by the Group.

### 19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2019	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Cash and cash equivalents	94,155,674	--	--	94,155,674	94,155,674
Trade receivables	4,135,398	--	--	4,135,398	4,135,398
Due from related parties	17,044,218			17,044,218	17,044,218
Other receivables and refundable deposits <sup>1</sup>	423,330			423,330	423,330
<b>Financial liabilities</b>					
Due to related parties	8,111,029	--	--	8,111,029	8,111,029
Accruals and other payables <sup>2</sup>	1,732,665	--	--	1,732,665	1,732,665
Dividends payable	1,100,000			1,100,000	1,100,000
Lease liability	1,065,848	--	--	1,065,848	1,065,848

<sup>1</sup>Presented under prepayments and other receivables

<sup>2</sup>Excluding withholding taxes payable

31 December 2018	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Cash and cash equivalents	98,528,007	--	--	98,528,007	98,528,007
Trade receivables	4,141,175	--	--	4,141,175	4,141,175
Due from related parties	4,330,497			4,330,497	4,330,497
Other receivables and refundable deposits <sup>1</sup>	503,052			503,052	503,052
<b>Financial liabilities</b>					
Accruals and other payables <sup>2</sup>	2,535,517	--	--	2,535,517	2,535,517
Due to related parties	4,526,033	--	--	5,626,033	5,626,033
Dividends payable	1,100,000			1,100,000	1,100,000

<sup>1</sup>Presented under Prepayments and other receivables

<sup>2</sup>Excluding withholding taxes payable

The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position as at 31 December 2019 and 2018 as these are generally short-term in nature. There were no transfers between levels of fair value hierarchy during the years ended 31 December 2019 and 2018.

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**20. FINANCIAL RISK MANAGEMENT**

The Company has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

The Company's Board of Directors ("BOD") has the overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the BOD on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

**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's maximum exposure to credit risk without taking effect of collateral amounts is as follows:

	<b>31 December 2019</b>	31 December 2018
Cash and cash equivalents	<b>94,155,674</b>	98,528,007
Trade receivables	<b>4,135,398</b>	4,141,175
Due from related parties	<b>17,044,218</b>	4,330,497
Other receivables and refundable deposits <sup>1</sup>	<b>423,330</b>	503,052
	<b><u>115,758,620</u></b>	<u>107,502,731</u>

<sup>1</sup>Presented under prepayments and other receivables

Based on management assessment, the Company has no significant exposure to credit risk due to the following:

- a. *Cash and cash equivalents* are maintained with banks having sound credit ratings.
- b. *Trade receivables* represent mainly fees receivable from corporate finance advisory clients which are considered as low credit risk by the Company. All the amount was received subsequent to the year end.
- c. *Due from related parties* is related to agreements with Standard Chartered Bank Group entities which provide for an agreed basis for sharing of revenues on jointly executed projects and recovery of expenses incurred on such projects as approved by the Company's management.
- d. *Other receivables and refundable deposits* are accrued special commission receivable, employee advances and rental deposits which are short-term in nature.

**Liquidity risk**

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. The Company monitors and manages the liquidity structure of its assets and liabilities so as to ensure that cash flows are sufficiently balanced and that sufficient liquid funds are maintained to meet liquidity requirements.

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**20. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Liquidity risk (continued)**

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 significant liquidity risk as the Company has adequate liquid assets available that exceeded current liabilities by SR 104.21 million as at 31 December 2019 (31 December 2018: 99.74 million).

**Market risk**

***Special commission rate risk***

Special commission rate risk arises from the possibility that the changes in commission rates may affect either fair values or future cash flows of financial instruments. The Company does not have significant special commission rate risk.

***Currency risk***

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

Management believes that there is insignificant risk of losses due to exchange rate fluctuation as most of the Company's monetary assets and liabilities are primarily in US dollars which is pegged with the Saudi Riyal.

**21. CAPITAL MANAGEMENT**

The capital that the Company is required to hold is determined based on the balance sheet, off – balance sheet, counterparty and other risk exposures that the Company has. Adequate 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 the 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>2019</u>	<u>2018</u>
<b><u>Capital Base</u></b>		
Tier I Capital	103,824,463	99,266,746
Tier II Capital	--	--
<b>Total Capital Base</b>	<u>103,824,463</u>	<u>99,266,746</u>
<b><u>Minimum capital requirement:</u></b>		
Credit risk	8,760,199	7,507,317
Market risk	474,351	335,871
Operational risk	2,258,563	2,970,287
<b>Total minimum capital required</b>	<u>11,493,113</u>	<u>10,813,475</u>
<b><u>Capital Adequacy Ratio</u></b>		
Total Capital Ratio (time)	9.03	9.18
Surplus in Capital	<u>92,331,350</u>	<u>88,453,271</u>

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**21. CAPITAL MANAGEMENT (CONTINUED)**

- a) Capital Base of the Company comprise of:
- Tier -1: consists of the total of share capital, retained earnings and reserves excluding re-measurement of employees' benefit obligation less deferred tax assets.
  - 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 safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.

**22. EVENTS AFTER THE END OF REPORTING PERIOD**

Since early January 2020, the coronavirus ("COVID-19") outbreak has spread across globally, causing disruption to business and economic activity. The COVID-19 pandemic has significantly impacted the stock markets around the world to date and may continue to do so in the coming months of 2020, whereby potentially impacting the earnings and cash flows of the Company. The Company considers this outbreak to be a non-adjusting post balance sheet event. The scale and duration of this outbreak remains uncertain and as it evolves globally in 2020, the Company will evaluate the potential impacts and respond accordingly.

**23. BOARD OF DIRECTORS' APPROVAL**

These financial statements were approved by the Board of Directors on 30 March 2020.