CITIGROUP SAUDI ARABIA
(A Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the period from 15 October 2017
(Date of Commercial Registration Certificate) to 31 December 2018
together with
Independent Auditors' Report

KPMG Al Fozan & Partners
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License No. 46/11/323 issued 11/3/1992

Independent Auditors' Report

To the Shareholders of Citigroup Saudi Arabia

Opinion

We have audited the financial statements of Citigroup Saudi Arabia ("the Company") which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss and other 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 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the 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 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 are responsible for overseeing the Company's financial reporting process.

Independent Auditors' Report

To the Shareholders of Citigroup Saudi Arabia (continued)

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 the Citigroup Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Nasser Ahmed Al Shutairy
License No: 454

Al Riyadh, 30 Jumada Al-Akhirah 1440H
Corresponding to: 7 March, 2019

C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

CITIGROUP SAUDI ARABIA
(A Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018
(Amount in SR'000)

	Notes	**31 December 2018**
ASSETS		
Property and equipment	4	5,948
Deferred tax asset	5	905
Non-current Assets		6,853
Cash and cash equivalents	6	75,822
Due from related parties	7	4,599
Prepayment and other receivable	8	1,315
Current Assets		81,736
TOTAL ASSETS		88,589
EQUITY AND LIABILITIES		
Share capital	9	90,000
Accumulated losses		(3,621)
Total Equity		86,379
Employee benefit obligation		164
Non-current Liability		164
Accrued expenses and other current liabilities	10	2,046
Current Liability		2,046
TOTAL EQUITY AND LIABILITIES		88,589

Alberto J. Verme	Majed Al Hassoun	Olukayode Bababunmi
Chairman	Chief Executive Officer	Chief Financial Officer

The accompanying notes from 1 to 16 form an integral part of these financial statements

CITIGROUP SAUDI ARABIA
(A Closed Joint Stock Company)
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the period from 15 October 2017 (Date of Commercial Registration Certificate)
to 31 December 2018
(Amount in SR'000)

	Notes	**For the period from 15 October 2017 to 31 December 2018**
Revenue		
Arrangement fees	*7*	7,183
Financial advisory fee	*7*	1,012
Other income		252
Total operating income		**8,447**
Salaries and employee related benefits		(7,190)
Depreciation	*4*	(714)
Rent and premises related expenses		(2,061)
Other general and administrative expenses	*12*	(3,008)
Total operating expenses		**(12,973)**
Net loss before income tax		**(4,526)**
Income tax		
- Current		--
- Deferred	*5*	905
Net loss for the period		**(3,621)**
Other comprehensive income for the period		--
Total comprehensive loss for the period		**(3,621)**

Alberto J. Verme
Chairman

Majed Al Hassoun
Chief Executive Officer

Olukayode Bababunmi
Chief Financial Officer

The accompanying notes from 1 to 16 form an integral part of these financial statements

CITIGROUP SAUDI ARABIA
(A Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
As at 31 December 2018
(Amount in SR'000)

	Share capital	Accumulated losses	Total
Issuance of share capital	90,000	--	90,000
Total comprehensive loss for the period	--	(3,621)	(3,621)
Balance at the end of the period	90,000	(3,621)	86,379

Alberto J. Verme
Chairman

Majed Al Hassoun
Chief Executive Officer

Olukayode Bababunmi
Chief Financial Officer

The accompanying notes from 1 to 16 form an integral part of these financial statements

CITIGROUP SAUDI ARABIA
(A Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
For the period from 15 October 2017 (Date of Commercial Registration Certificate) to 31 December 2018
(Amount in SR'000)

	Notes	For the period from 15 October 2017 to 31 December 2018
Net loss for the period before income tax		(4,526)
Cash flows from operating activities		
Adjustment for non-cash items		
Depreciation	4	714
Employee benefit charge		164
Movements in working capital		
Increase in due from related parties	7	(4,599)
Increase in prepayments and other receivables	8	(1,315)
Increase in accrued expenses and other liabilities	10	2,046
Net cash used in operating activities		(7,516)
Cash flows from an investing activity		
Purchase of property and equipment	4	(6,662)
Net cash used in an investing activity		(6,662)
Cash flows from a financing activity		
Proceeds from issuance of shares	9	90,000
Net cash generated from a financing activity		90,000
Net increase in cash and cash equivalent during the period		75,822
Cash and cash equivalent at the beginning of the period		--
Cash and cash equivalent at the end of the period	6	75,822

Alberto J. Verme
Chairman

Majed Al Hassoun
Chief Executive Officer

Olukayode Babatunmi
Chief Financial Officer

The accompanying notes from 1 to 16 form an integral part of these financial statements.

1. GENERAL INFORMATION

Citigroup Saudi Arabia (the "Company") is a closed Joint Stock Company incorporated in 2017 and registered in Riyadh, Kingdom of Saudi Arabia under commercial registration No. 1010612164 dated 25 Muharram 1439 (corresponding to 15 October, 2017). The Company operates under Saudi Arabia General Investment Authority License No. 11210380674636 dated 21 Shaban 1438 (corresponding to 17 May, 2017) and Capital Market Authority License No. 17184-31 dated 12 Shaban 1438 (corresponding to 8 May, 2017).

The registered address of the Company, which is also its principal place of business, is at 20th Floor, Kingdom Tower, P.O. Box 301700, Riyadh 11372, Kingdom of Saudi Arabia.

The principal activities of the Company includes arrange transactions in debt and capital market, financial advisory, capital raising, merger advisory, capital restructuring, financial restructurings and underwriting.

2. BASIS OF PREPARATION

a) *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

These are the first audited financial statements of the Company and cover the period from 15 October 2017 (date of commercial registration certificate) to 31 December 2018. Thus, no comparative balances have been presented in current period financial statements.

b) *Basis of measurement*

These financial statements have been prepared on a going concern basis under historical cost convention. These financial statements are presented in Saudi Arabian Riyals ("SR"), which is the presentation and functional currency of the Company.

c) *Critical accounting judgments and estimates*

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the 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 any future periods affected.

Useful lives of property and equipment

The management reviews the estimated useful lives of property and equipment based on the period over which the assets are expected to be available for use and are revised if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible that future results of operations could be materially affected by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment would increase the recorded depreciation expense and decrease non-current assets.

(Amount in SR'000)

2. BASIS OF PREPARATION (CONTINUED)

d) Early adoption of new standards issued not yet effective

The Company has early adopted IFRS 9 *'Financial Instruments'* and IFRS 15 *'Revenue from contracts with customers'*, from the date of commercial registration certification i.e. 15 October 2017, which were effective for the annual periods beginning on or after 1 January 2018. These standards do not have a material effect on the financial statements of the Company.

e) New standards or amendments issued not yet effective and not early adopted by the Company

The Company has chosen not to early adopt the following new standards which have been issued but not yet effective for the Company's accounting years beginning on or after 1 January 2019 and is currently assessing their impact.

Following is a brief on the new IFRS and amendments to IFRS, effective for annual periods beginning on or after 1 January 2019:

1) IFRS 16 – "Leases", applicable for the period beginning on or after 1 January 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model.

2) Amendments to IAS 19: Plan Amendment, Curtailment or Settlement, applicable for the period beginning on or after 1 January 2019. The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Company in the preparation of these financial statements are set out below:

3.1 Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

	No of years
Furniture, fixtures and office equipment	5-10
Computer equipment	3-5
Leasehold improvements	9

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.

An item of property and equipment is derecognized 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 profit or loss when the asset is derecognized.

Normal repair and maintenance are charged to the statement of profit or loss as and when incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise of cash at bank in current accounts and time deposit with an original maturity of ninety days or less.

3.3 Financial instruments

a) Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

Financial assets at amortised cost
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- 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 financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Financial assets at FVOCI
A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

On initial recognition, for an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

Financial assets at FVTPL
All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Business model assessment
The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Business model assessment (continued)

- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and profit
For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Company considers the contractual terms of the instrument. This includes 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. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

b) Classification of financial liabilities
The Company classifies its financial liabilities as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium to issue the funds, and other cost that are integral part of the effective profit rate.

c) Derecognition

Financial assets
The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in the statement of profit or loss.

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired.

d) Impairment
The Company recognizes loss allowances for expected credit losses ("ECL") on debt instruments not measured at FVTPL.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

• debt investment securities that are determined to have low credit risk at the reporting date; and
• other financial instruments on which credit risk has not increased significantly since their initial recognition

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

e) Write-off
Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

f) Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is an enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously

3.4 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGUs) fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

3.5 Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3.6 Revenue

<u>Contracts with customers</u>

The Company recognises revenue under IFRS 15 using the following five steps model:

Step 1: Identify the contract with customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Revenue (continued)

Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognise revenue	The Company recognises revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

<u>Profit on time deposit</u>
Profit earned on time deposit is accrued on the time proportionate basis.

<u>Transfer pricing revenue</u>
The Company accounts for revenues from related parties calculated under the geographic revenue attribution (GRA) transfer pricing policy laid down by Citigroup Inc. and applicable to all Citigroup entities including Citigroup Financial Products Inc. ("the Parent"), a Company incorporated in the United States of America. GRA transfer pricing policy maps revenue for each product based on the value creation and the functions, assets and risk undertaken by each team within the value chain. The functions, assets and risks for each product vary, therefore revenue attributed to each function on a product by product basis, also varies.

3.7 Operating lease expense

Operating lease payments are recognized as expenses in the statement of profit or loss on a straight-line basis over the lease term.

3.8 Foreign currencies

Transactions in foreign currencies are translated into functional currency of the Company at exchange rates on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in the statement of profit or loss.

3.10 Contingent assets and liabilities

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability. Contingent assets are not recognized, but are disclosed where an inflow of economic benefits is probable.

(Amount in SR'000)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Statutory reserve

In accordance with the Company's By-laws and the new Saudi Arabian Regulations for Companies which came into effect on 25 Rajab 1437H (corresponding to 2 May 2016), the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital. As at 31 December 2018, the Company has incurred net loss therefore there had been no transfer made to statutory reserves.

3.12 Taxation

Current Tax
Income tax is provided in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia and charged to the statement of profit and loss.

Deferred Tax
Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amount of the assets and liabilities and their tax bases. Deferred tax assets are recognised for all major deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantially enacted at the balance sheet date.

4. PROPERTY AND EQUIPMENT

	Furniture, fixture and office equipment	Computer equipment	Leasehold improvement	Total
Cost:				
Additions	1,724	535	4,403	6,662
Accumulated depreciation:				
Charge for the period	207	93	414	714
Net book value:				
As at 31 December 2018	**1,517**	**442**	**3,989**	**5,948**

5. DEFERRED TAX ASSET

	31 December 2018
Deferred debits arising in respect of:	
Carry forward losses	818
Others	33
Deferred credits arising in respect of:	
Property and equipment	54
	905

6. CASH AND CASH EQUIVALENTS

	Note	31 December 2018
Cast at banks		
- Current accounts		10,571
- Time deposit	6.1	65,251
		75,822

6.1 This is placed with a commercial bank in the Kingdom of Saudi Arabia. The deposit has an original maturity of 3 months and carries a profit rate of 3% per annum.

(Amount in SR'000)

7. RELATED PARTY TRANSACTIONS

The related parties of the Company include the Parent and its affiliated entities and certain key management personnel. In ordinary course of activities, the Company transacts business with its related parties on mutually agreed terms. Key management personnel includes the Chief Executive Officer (CEO) and the personnel directly reporting to the CEO.

Transactions with the related parties for the period are as follows:

Related Parties	Nature of transactions	For the period from 15 October 2017 to 31 December 2018
Affiliates		
Citibank, N.A. UAE- DIFC Branch	Arrangement fees	2,686
Citigroup Global Markets Limited	Arrangement and financial advisory fees	2,155
Citibank, N.A. London Branch	Arrangement fees	1,887
Citibank, N.A. Jersey Branch	Arrangement fees	869
Citigroup Global Markets Inc.	Arrangement fees	536
Citibank Europe Plc. UK	Arrangement fees	58
Citibank, N.A. Others	Arrangement fees	4
Key management personnel	Salaries	2,573
	Allowances	1,314
	Annual and period bonuses	1,425
Independent Board members	Directors' fees	750

The balances as of 31 December 2018 resulting from transactions with related parties are as follows:

Due from related parties:	31 December 2018
Citibank, N.A. UAE- DIFC Branch	2,686
Citibank, N.A. London Branch	1,906
Citibank Europe Plc. UK	7
	4,599

8. PREPAYMENT AND OTHER RECEIVABLE

	31 December 2018
Prepaid rent	1,204
Security deposit	111
	1,315

9. SHARE CAPITAL

As at 31 December 2018, the authorized, issued and fully paid-up share capital of the Company was SR 90 million divided into 9 million shares of SAR 10 each and was fully subscribed by the Parent.

(Amount in SR'000)

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 December 2018
Accrued salaries and employee related benefits	1,306
Accrued rent	449
Others	291
	2,046

11. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	Note	For the period from 15 October 2017 to 31 December 2018
Consultancy and professional fees		765
Directors fees	7	750
Travel and entertainment		424
Technology and communication		358
Others		711
		3,008

12. FINANCIAL INSTRUMENTS – Fair value

As at 31 December 2018, the Company's financial instruments comprises of bank balances, due from related parties, other receivables and other liabilities, which are measured at amortised cost and their carrying amount is a reasonable approximate of fair value.

13. FINANCIAL RISK MANAGEMENT

The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. These risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Company has exposure to the following risks arising from financial instruments:
- Credit risk
- Market risk
- Liquidity risk

13.1 Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge its contractual obligation and cause the other party to incur a financial loss.

(Amount in SR'000)

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

The schedule below shows the maximum limit for exposure to credit risk of the statement of financial position elements:

	31 December 2018
Cash at banks	75,822
Due from related parties	4,599
Total	**80,421**

The current accounts and time deposit are held with banks having reputable standing within the Kingdom of Saudi Arabia and rated A1, BBB+ and A- by rating agencies as at 31 December 2018.

13.2 Market risk

a) Profit rate risk

Profit rate risk is the risk that the profit rate change is not commensurate with financing cost due to changes in the market commission rate. The Company has no fixed rate financial instrument, hence not exposed to any profit rate risk.

b) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is not subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Arabian Riyals and US Dollars during the year. As SR is pegged to US Dollar, therefore the Company is not exposed to significant currency risk.

c) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

As at 31 December 2018, the Company had no financial instrument which was exposed to price risk.

13.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. As of 31 December 2018, the financial liabilities of the Company comprised of accrued expenses and other liabilities. All financial liabilities on the Company's statement of financial position are contractually payable on a current basis. The Company manages its liquidity risk by maintain adequate liquid assets.

14. COMMITMENTS

The future minimum lease payments under non-cancellable operating leases where the Company is the lessee are as follows:

	2018
Minimum lease payments due in:	
- Less than 1 year	1,277
- 1 – 5 years	2,554
	3,831

(Amount in SR'000)

15. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The Company's objectives when managing capital are, to comply with the minimum capital requirements set by Capital Market Authority ("CMA"); to safeguard the Company's ability to continue as a going concern and to maintain an adequate capital base throughout the year.

In accordance with Article 74(b) of the Prudential Rules ("the Rules") issued by the CMA, given below are the disclosures of the capital base, minimum capital requirement and total capital adequacy ratio as at 31 December, 2018:

	2018
Capital Base	
Tier 1 Capital	85,474
Minimum Capital Requirement:	
Market Risk	157
Credit Risk	7,105
Operational Risk	5,219
Total Minimum Capital Required	12,481
Capital Adequacy Ratio:	
Total Capital Ratio (time)	6.85
Surplus in Capital	72,993

The capital base consists of Tier 1 capital which comprises of paid-up share capital and accumulated losses excluding deferred tax asset as per Article 4 of the Rules. The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in Part 3 of the Rules.

The Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 1.

Further, the Company is required to disclose the prescribed information as required under Pillar III of the Rules on the Company's website, however these are not subject to review or audit by the external auditors of the Company.

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.

16. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Chairman, Chief Executive Officer and Chief Financial Officer on 04 March 2019.