CITIGROUP SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2019
together with
Independent Auditor's Report

CITIGROUP SAUDI ARABIA
(A SAUDI CLOSED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS
For the year ended 31 December 2019

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Licence No. 46/11/323 issued 11/3/1992

Independent auditor's report

To the shareholder 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 2019, 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 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 Organization 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, and the Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of the 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.

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.

KPMG

Independent auditor's report

To the shareholder of Citigroup Saudi Arabia (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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 a 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 **Citigroup Saudi Arabia** ("the Company").

For KPMG Al Fozan & Partners
Certified Public Accountants

Nasser Ahmed Al Shutairy
License No: 454

2 Sha'ban 1441H
Corresponding to: 26 March 2020

CITIGROUP SAUDI ARABIA
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2019
(Amount in SR'000)

	Notes	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	*4*	169,984	75,822
Due from related parties	*5*	14	4,599
Prepayment and other receivable	*6*	16,196	1,315
Deferred tax asset	*7*	701	905
Right of use asset	*8*	2,895	-
Intangible assets	*9*	4,192	54
Property and equipment	*10*	8,328	5,894
Total assets		202,310	88,589
LIABILITIES			
Accrued expenses and other current liabilities	*11*	3,512	2,046
Due to related parties	*5*	8,640	-
Income tax payable	*12*	571	-
Lease liability	*13*	2,123	-
Employee benefit obligations	*14*	490	164
Total liabilities		15,336	2,210
Equity			
Share capital	*15*	187,500	90,000
Accumulated losses		(836)	(3,621)
Statutory reserve	*16*	310	-
Total equity		186,974	86,379
Total liabilities and equity		202,310	88,589

The accompanying notes from 1 to 22 form an integral part of these financial statements

Carmen Haddad	Majed Al Hassoun	Olukayode Bababunmi
Vice Chairperson	Chief Executive Officer	Chief Financial Officer

CITIGROUP SAUDI ARABIA
(Closed Joint Stock Company)
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019
(Amount in SR'000)

	Notes	For the year 31 December 2019	For the period from 15 October 2017 to 31 December 2018
Revenue			
Arrangement fees		14,174	7,183
Financial advisory fee		2,834	1,012
Other income		8,856	252
Total operating income		25,864	8,447
Salaries and employee related benefits		(12,101)	(7,190)
Depreciation and amortization	8,9,10	(2,302)	(714)
Premises related expenses		(596)	(2,061)
Other general and administrative expenses	17	(6,995)	(3,008)
Total operating expenses		(21,994)	(12,973)
Net profit/(loss) before income tax		3,870	(4,526)
Income tax			
• Current	12	(571)	-
• Deferred	7	(204)	905
Net profit/ (loss) for the year/period		3,095	(3,621)
Other comprehensive income for the year/period		-	--
Total comprehensive income/(loss) for the period		3,095	(3,621)

The accompanying notes from 1 to 22 form an integral part of these financial statement.

Carmen Haddad
Vice Chairperson

Majed Al Hassoun
Chief Executive Officer

Olukayode Bababunmi
Chief Financial Officer

CITIGROUP SAUDI ARABIA
(Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019
(Amount in SR'000)

	Share capital	Accumulated losses	Statutory reserves	Total
Balance at 1 January 2019	**90,000**	**(3,621)**	**-**	**86,379**
Issuance of share capital	**97,500**	**-**	**-**	**97,500**
Net profit for the year	**-**	**3,095**	**-**	**3,095**
Other comprehensive income for the year	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**3,095**	**-**	**3,095**
Transfer to statutory reserve	**-**	**(310)**	**310**	**-**
Balance at 31 December 2019	**187,500**	**(836)**	**310**	**186,974**
Balance at 1 January 2018	-	-	-	-
Issuance of share capital	90,000	-	-	90,000
Net loss for the period	-	(3,621)	-	(3,621)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	(3,621)	-	(3,621)
Balance at 31 December 2018	90,000	(3,621)	-	86,379

The accompanying notes from 1 to 22 form an integral part of these financial statements

CITIGROUP SAUDI ARABIA
(Closed Joint Stock Company)
STATEMENT OF CASHFLOWS
For the year ended 31 December 2019
(Amount in SR'000)

	Notes	**For the year 31 December 2019**	For the period from 15 October 2017 to 31 December 2018
Net income for the period before income tax		**3,870**	(4,526)
Cash flows from operating activities			
Adjustment for non-cash items			
Depreciation and amortization	*8,9,10*	**2,302**	714
Employee benefit charge		**326**	164
Movements in working capital			
(Increase)/decrease in due from related parties	*5*	**4,585**	(4,599)
Increase in prepayments and other receivables	*6*	**(18,030)**	(1,315)
Increase in accrued expenses and other liabilities	*11*	**3,844**	2,046
Increase in due to related parties	*5*	**8,640**	-
Net cash generated form/(used) in operating activities		**5,537**	(7,516)
Cash flows from an investing activity			
Purchase of intangible assets	*9*	**(4,407)**	(72)
Purchase of property and equipment	*10*	**(3,509)**	(6,590)
Net cash used in an investing activity		**(7,916)**	(6,662)
Cash flows from a financing activity			
Proceeds from issuance of shares	*15*	**97,500**	90,000
Lease liability paid		**(959)**	
Net cash generated from a financing activity		**96,541**	90,000
Net increase in cash and cash equivalent during the year/ period		**94,162**	75,822
Cash and cash equivalent at the beginning of the year		**75,822**	-
Cash and cash equivalent at the end of the year / period	*4*	**169,984**	75,822

The accompanying notes from 1 to 22 form an integral part of these financial statements.

1. GENERAL INFORMATION

Citigroup Saudi Arabia ("the Company") is a Saudi 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).

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

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.

2. BASIS OF PREPARATION

a) *Statement of compliance*

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

b) *Basis of measurement*

These financial statements have been prepared on a going concern basis under historical cost convention except for the employee benefit obligation is measured at present value of defined benefit obligation and have been calculated using the projected unit credit method (PUCM) and actuarial assumptions. The line items on the statement of financial position are presented in the order of liquidity.

c) *Functional and presentation currency*

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

d) *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 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.

Employee benefit obligation

The Company operates a defined benefit plan under the Saudi Arabian Labor Law based on employees' accumulated periods of service at the date of the statement of financial position. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method as per IAS 19 using actuarial assumptions based on market expectations at the date of statement of financial position.

e) *Standard issued but not yet effective*

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted them in preparing these Financial Statements.

The following amendments are not expected to have a significant impact on the financial statements.

- Amendments to references to conceptual framework in IFRS Standards.
- Definition of Material (Amendment to IAS 1 and IAS 8).

(Amount in SR'000)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated, where policies are applicable only on or from 1 January 2019, those policies have been particularly specified.

3.1 *Adoption of new standards as at 1 January 2019*

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

IFRS 16 Leases
The Company has adopted IFRS 16 'Leases' 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 was issued in January 2016 and 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 recognize in the Company's Financial Position, unless the term is 12 months or less or the lease for 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 recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Company has opted for the modified retrospective application permitted by IFRS 16 upon the adoption of the new standard. On the firsttime application of IFRS 16 to operating leases, the right to 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 2019, discounted using the Company's incremental borrowing rate at the time of first time application.

Reconciliation of lease liabilities

	SAR
Operating lease commitments at 31 December 2018	**3,331,080**
Discounted using the Company's weighted average incremental borrowing rate at 1 January 2019	**(196,548)**
Lease liability recognised at 1 January 2019	**3,134,532**

Based on the adoption of new standard, the following accounting policies are effective 1 January 2019 replacing / amending or adding to the corresponding accounting policies set out in 2018 financial statements.

Right of Use Asset / Lease Liabilities
On initial recognition, at inception of the contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

Right of Use Assets ("ROU")
The company apply cost model, and measure right of use asset at cost;
a) less any accumulated depreciation and any accumulated impairment losses; and
b) adjusted for any re-measurement of the lease liability for lease modifications

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Adoption of new standards as at 1 January 2019 (continued)

Generally, ROU asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the ROU asset value.

Lease Liability

On initial recognition, the lease liability is the present value of the lease payments that are not paid at the commencement date discounted using the Group's incremental borrowing rate.

After the commencement date, Company measures the lease liability at amortized cost using the effective interest method 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.

3.2 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.

3.2 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization of Intangible assets is calculated on a straight-line basis over the estimated useful life of 3 years.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Cash and cash equivalents

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

3.4 Financial instruments

a) Classification and measurement 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").

<u>Measurement</u>
At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of profit or loss.

<u>Debt instruments</u>
Classification and subsequent measurement of debt instruments depend on:

- The Company's business model for managing the asset; and
- The cash flow characteristics of the asset.

Business model: 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.
- how the performance of the portfolio is evaluated and reported by 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; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

a) Classification and measurement of financial assets (continued)

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.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVTPL, are measured at amortized cost. Profit earned from these financial assets is recognized in the statement of profit or loss using the effective commission rate method.

Fair value through profit or loss (FVTPL): If debt instrument's cash flows do not represent solely SPPI or if it not held within the held to collect or the held to collect and sell business model, or if it is designated at FVTP, then it is measured at FVTPL. A gain or loss on a debt investment measured at FVTPL is recognized in the statement of profit or loss, in the period in which it arises. Special commission income earned from these financial assets is recognized in the statement of income using the effective commission rate method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from statement of changes in equity to statement of profit or loss.

Equity instruments
The Company subsequently measures all equity investments at FVTPL, except where the Company has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to the statement of profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of profit or loss when the Company's right to receive payments is established.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

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.

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.

Financial liabilities

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

d) 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);
- 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.

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

3.5 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Impairment of non-financial assets (continued)

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 recognized 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 recognized 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 recognized 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 recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized 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.

3.6 Accrued expenses and other liabilities

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

3.7 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.
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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Revenue

<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 ("the Parent"). The revenue earned according to the GRA transfer pricing policy, which intends to reward each related party for their relative functions, assets and risks.

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.

3.9 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.

3.10 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.

3.11 Employee benefit obligations

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plans is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in statement of profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

(Amount in SR'000)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Taxation

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.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, if material, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

4. CASH AND CASH EQUIVALENTS

	Note	**31 December 2019**	31 December 2018
Cast at banks			
- Current accounts		**22,122**	10,571
- Time deposits	*4.1*	**147,862**	65,251
Total		**169,984**	75,822

4.1 These are placed with a commercial bank operating in the Kingdom of Saudi Arabia having original maturity of 3 months. These include interest accrued on time proportionate basis at the rate ranging 2.20% - 2.40% per annum.

(Amount in SR'000)

5. RELATED PARTY TRANSACTIONS AND BALANCES

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 are senior executives including CEO and CFO, having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

Transactions with the related parties are as follows:

Related Parties	Nature of transactions	For the year 31 December 2019	For the period from 15 October 2017 to 31 December 2018
Affiliates			
Citibank, N.A. UAE- DIFC Branch	Arrangement fees and other income	**4,967**	2,686
Citigroup Global Markets Limited	Arrangement, advisory and brokerage fees	**6,671**	2,155
Citibank, N.A. London Branch	Arrangement fees	**1,432**	1,887
Citibank, N.A. Jersey Branch	Arrangement fees	**-**	869
Citigroup Global Markets Inc.	Arrangement fees	**938**	536
Citibank Europe Plc. UK	Arrangement fees	**2**	58
Citibank, N.A. Others	Arrangement fees	**3**	4
Key management personnel	Salaries	**3,226**	2,573
	Allowances	**1,703**	1,314
	Annual and period bonuses	**2,160**	1,425
Non-executive/independent Board members	Directors' fees	**750**	750

The balances as of 31 December 2019 resulting from transactions with related parties are as follows:

Due from related parties:	31 December 2019	31 December 2018
Citibank, N.A. UAE- DIFC Branch	**-**	2,686
Citibank, N.A. London Branch	**-**	1,906
Citibank Europe Plc. UK	**12**	7
Citibank, N.A ADGM Branch	**2**	-
	14	4,599
Due to related parties		
Citigroup Global Markets Limited	**5,400**	-
Citibank, N.A. UAE- DIFC Branch	**3,240**	-
	8,640	-

(Amount in SR'000)

6. PREPAYMENT AND OTHER RECEIVABLE

	Note	**31 December 2019**	31 December 2018
Prepaid premises expenses		**275**	1,204
Security deposit		**111**	111
Software maintenance		**906**	-
VAT receivable		**482**	-
Others	*6.1*	**14,422**	-
		16,196	1,315

6.1 Others include receivable of SR 14.4 million from a financial institution in respect of arrangement services provided during the year 2019.

7. DEFERRED TAX ASSET

Deferred tax asset pertains to deductible temporary differences arising from carried forward losses, property and equipment, intangible assets and end of service benefits. Deferred tax asset consists the of following items:

	31 December 2019	31 December 2018
Carry forward losses	**627**	818
Provision for employee benefit obligation	**98**	33
Property and equipment	**(24)**	54
Deferred tax asset	**701**	905

	31 December 2019	31 December 2018
Opening balance	**905**	-
Deferred tax (utilised) / charged	**(204)**	905
Closing balance	**701**	905

8. RIGHT OF USE ASSET

	31 December 2019
Balance at 1 January 2019	3,853
Charge for the year	(958)
Balance at 31 December 2019	**2,895**

9. INTANGIBLE ASSETS

	Software
Cost	
Balance at 1 January 2018	-
Additions	72
Balance at 31 December 2018	**72**
Balance at 1 January 2019	72
Additions	4,407
Balance at 31 December 2019	**4,479**
Accumulated amortization:	
Balance at 1 January 2018	-
Charge for the period	18
Balance at 31 December 2018	**18**
Balance at 1 January 2019	18
Charge for the year	269
Balance at 31 December 2019	**287**
Net book value as at:	
31 December 2019	**4,192**
31 December 2018	**54**

(Amount in SR'000)

10. PROPERTY AND EQUIPMENT

Cost	**Furniture, fixture and office equipment**	**Computer equipment**	**Leasehold improvement**	**Capital work in progress**	**Total**
Balance at 1 January 2018	-	-	-	-	-
Additions	1,724	463	4,403	-	6,590
Balance at 31 December 2018	**1,724**	**463**	**4,403**	**-**	**6,590**
Balance at 1 January 2019	1,724	463	4,403	-	6,590
Addition during the year	192	979	935	1,403	3,509
Balance at 31 December 2019	**1,916**	**1,442**	**5,338**	**1,403**	**10,099**
Accumulated depreciation:					
Balance at 1 January 2018	-	-	-	-	-
Charge for the year	207	75	414	-	696
Balance at 31 December 2018	**207**	**75**	**414**	**-**	**696**
Balance at 1 January 2019	207	75	414	-	696
Charge for the year	258	184	633	-	1,075
Balance at 31 December 2019	**465**	**259**	**1,047**	**-**	**1,771**
Net book value as at:					
31 December 2019	**1,451**	**1,183**	**4,291**	**1,403**	**8,328**
31 December 2018	**1,517**	**388**	**3,989**	**-**	**5,894**

11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 December 2019	31 December 2018
Accrued salaries and employee related benefits	2,438	1,306
Accrued premises relate expense	241	449
Accrued technology expense	188	-
Accrued professional fees	535	291
Others	110	-
	3,512	**2,046**

(Amount in SR'000)

12. INCOME TAX PAYABLE

The Company is subject to income taxes in accordance with the Regulation of GAZT.

	31 December 2019	31 December 2018
Income tax payable	**571**	-
	571	-

The movement in income tax payable is as follows:

	31 December 2019	31 December 2018
Balance at the beginning of the year	-	-
Charge for the year	571	-
Balance at the end of the year	**571**	-

13. LEASE LIABILITY

	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**
Less than one year	1,105	(60)	1,045
Between one to five years	1,107	(29)	1,078
	2,212	(89)	**2,123**

14. EMPLOYEE BENEFIT OBLIGATIONS

The Company operates a defined benefit plan in line with the Labor Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment.

14.1 Movement in employees' end of service benefits

	31 December 2019	31 December 2018
Balance at the beginning of the year	**164**	-
Provisions	**336**	164
Balance at the end of the year	**490**	164

14.2 Movement in present value of defined benefit obligation

	31 December 2019	31 December 2018
Present value of defined benefit obligation as at 1 January	**164**	-
Current service costs	**331**	164
Interest cost	**5**	-
Balance at the end of the year	**490**	164

(Amount in SR'000)

15. SHARE CAPITAL

As at 31 December 2019, the authorized, issued and fully paid-up share capital of the Company was SR 187.5 million (31 December 2018: SR 90 million) divided into 18.75 million shares (31 December 2018: 9 million shares) of SAR 10 each and was fully subscribed by Citigroup Financial Products Inc. ("the Parent"), a Company incorporated in the United States of America.

16. STATUTORY RESERVE

In accordance with Company's By-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital. This reserve is currently not available for distribution to the shareholders of the Company.

17. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	Note	**For the year 31 December 2019**	For the period from 15 October 2017 to 31 December 2018
Consultancy and professional fees		1,405	765
Directors fees		750	750
Travel and entertainment		645	424
Technology and communication		1,298	358
Others	17.1	2,897	711
		6,995	3,008

17.1 Others include reimbursable expenses of SR 1.33 million in respect of arrangement services provided during the year 2019.

18. FINANCIAL INSTRUMENTS – FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value the Company uses market observable 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 (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As at 31 December 2019, the Company's financial instruments comprises of bank balances, due from related parties, other receivables, accrued expenses and other liabilities, which are measured at amortised cost and their carrying amount is a reasonable approximate of fair value.

(Amount in SR'000)

19. 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

19.1 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.

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

	31 December 2019	31 December 2018
Cash at banks	**169,984**	75,822
Due from related parties	**14**	4,599
Other receivable	**14,400**	-
Total	**184,398**	80,421

The current accounts and time deposit are held with banks having reputable standing within the Kingdom of Saudi Arabia and rated A1/A-2/A- by Moody, S&P and Fitch as at 31 December 2018 and 31 December 2019.

Deposits with banks and other receivables are with short term maturity and held with institutions having reputable standing, a single one-period/scenario-independent effective loss rate i.e. Probability of Default (PD) and Loss Given Default (LGD) is used to calculate expected credit loss and resulted in an immaterial amount.

19.2 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 2019, the Company had no financial instrument which was exposed to price risk.

(Amount in SR'000)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

19.3 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 2019, 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 and further the Parent is also committed to support its continuous operations.

20. 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 2019.

	2019	2018
Capital Base		
Tier 1 Capital	**183,178**	85,474
Minimum Capital Requirement:		
Market Risk	**218**	157
Credit Risk	**14,426**	7,105
Operational Risk	**3,243**	5,219
Total Minimum Capital Required	**17,887**	12,481
Capital Adequacy Ratio:		
Total Capital Ratio (time)	**10.24**	6.85
Surplus in Capital	**165,291**	72,993

The capital base consist 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.

21. SUBSEQUENT EVENTS

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. The potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. The extent of these impacts on the Company are unclear, although they will likely adversely affect its businesses, results of operations and financial condition.

This is a non-adjusting event and an estimate of the financial effect cannot be made at the point in time as the situation remains a rapidly evolving one.

22. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by Vice Chairperson, Chief Executive Officer and Chief Financial Officer on 18 March 2020.