

Societe Generale Saudi Arabia
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS

31 DECEMBER 2015

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
SOCIETE GENERALE SAUDI ARABIA
(A Saudi Closed Joint Stock Company)**

Scope of audit:

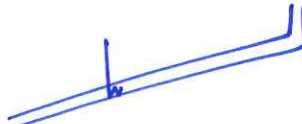
We have audited the accompanying balance sheet of Societe Generale Saudi Arabia - a Saudi Closed Joint Stock Company (the "Company") as of 31 December 2015 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion:

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

- i) present fairly, in all material respects, the financial position of the Company as of 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young



Fahad M. Al-Toaimi
Certified Public Accountant
Registration No.354



Riyadh: 15 Jumad Al Thani 1437H
(24 March 2016)

Societe Generale Saudi Arabia
(A Saudi Closed Joint Stock Company)

BALANCE SHEET

As at 31 December 2015

	<i>Notes</i>	2015 SR	2014 SR
ASSETS			
CURRENT ASSETS			
Bank balances and cash	3	53,599,059	49,409,498
Due from a related party	8	4,929,558	6,999,650
Prepayments and other receivables	4	1,269,323	1,104,940
TOTAL CURRENT ASSETS		59,797,940	57,514,088
NON-CURRENT ASSET			
Property and equipment	5	908,883	933,579
TOTAL ASSETS		60,706,823	58,447,667
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Accruals and other payables	6	3,465,160	2,414,755
Income tax payable	7	304,285	161,269
TOTAL CURRENT LIABILITIES		3,769,445	2,576,024
NON-CURRENT LIABILITY			
Employees' terminal benefits		211,260	184,458
TOTAL LIABILITIES		3,980,705	2,760,482
SHAREHOLDERS' EQUITY			
Share capital	9	50,000,000	50,000,000
Statutory reserve		672,613	568,720
Retained earnings		6,053,505	5,118,465
TOTAL SHAREHOLDERS' EQUITY		56,726,118	55,687,185
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		60,706,823	58,447,667

The attached notes 1 to 15 form part of these financial statements.

Societe Generale Saudi Arabia
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STATEMENT OF INCOME

For the year ended 31 December 2015

	Notes	2015 SR	2014 SR
REVENUE			
Service fees	8	13,960,493	12,866,063
EXPENSES			
General and administrative	10	(12,691,357)	(11,695,908)
INCOME FROM MAIN OPERATIONS		1,269,136	1,170,155
Special commission income		74,082	117,283
Special commission expense	8	-	(182,561)
NET INCOME BEFORE TAX		1,343,218	1,104,877
Income tax charge	7	(304,285)	(161,269)
NET INCOME FOR THE YEAR		1,038,933	943,608
EARNINGS PER SHARE IN SAUDI RIYAL			
Attributable to income from main operations	11	0.25	0.23
Attributable to net income for the year	11	0.21	0.19

The attached notes 1 to 15 form part of these financial statements.

Societe Generale Saudi Arabia
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STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 SR	2014 SR
OPERATING ACTIVITIES			
Net income before income tax		1,343,218	1,104,877
Adjustments for:			
Depreciation	5	264,596	262,806
Provision for employees' terminal benefits		176,737	159,346
		<u>1,784,551</u>	<u>1,527,029</u>
Changes in operating assets and liabilities:			
Due from a related party		2,070,092	(4,105,114)
Prepayments and other receivables		(164,383)	64,624
Accruals and other payables		1,050,405	116,644
		<u>4,740,665</u>	<u>(2,396,817)</u>
Cash from (used in) operations			
Income tax paid	7	(161,269)	(217,590)
Employee terminal benefits paid		(149,935)	(591,477)
		<u>4,429,461</u>	<u>(3,205,884)</u>
Net cash from (used in) operating activities			
INVESTING ACTIVITIES			
Purchase of property and equipment	5	(239,900)	(96,127)
Time deposits with original maturity of more than three months		(45,567,661)	26,647,256
		<u>(45,807,561)</u>	<u>26,551,129</u>
Net cash (used in) from investing activities			
FINANCING ACTIVITY			
Repayment of subordinated loan		-	(10,000,000)
		<u>(41,378,100)</u>	<u>13,345,245</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the year		49,409,498	36,064,253
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	3	<u>8,031,398</u>	<u>49,409,498</u>
<u>Supplementary information</u>			
Special commission income received		34,590	159,705
Special commission expenses paid		-	(255,133)

The attached notes 1 to 15 form part of these financial statements.

Societe Generale Saudi Arabia
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2015

	<i>Capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
Balance at 31 December 2013	50,000,000	474,359	4,269,218	54,743,577
Net income for the year	-	-	943,608	943,608
Transfer to statutory reserve	-	94,361	(94,361)	-
Balance at 31 December 2014	50,000,000	568,720	5,118,465	55,687,185
Net income for the year	-	-	1,038,933	1,038,933
Transfer to statutory reserve	-	103,893	(103,893)	-
Balance at 31 December 2015	50,000,000	672,613	6,053,505	56,726,118

The attached notes 1 to 15 form part of these financial statements.

Societe Generale Saudi Arabia (A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1 ACTIVITIES

Societe Generale Saudi Arabia ("the Company") is a Saudi Closed Joint Stock Company, registered in Riyadh, Kingdom of Saudi Arabia. The Company obtained a service investment license numbered 102030093963 dated 16 Shawwal 1430H (corresponding to 5 October 2009) from the Saudi Arabian General Investment Authority. The Company is registered under commercial registration number 1010279178 dated 18 Muharram 1431H (corresponding to 4 January 2010). The Company has also obtained a license number 37-09142 dated 1 Ramadan 1430H (corresponding to 22 August 2009) from the Capital Market Authority ("CMA").

The Company is owned 96% by Societe Generale ("SG"), registered in France, and 4% by SG's subsidiaries. In 2014, the Company received approval from the CMA in respect of its application to cancel certain licensed activities. The Company is now licensed to provide advisory and arranging services.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

The financial statements are prepared under the historical cost convention.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

Revenue recognition

Revenue is recognised in the statement of income as set out below:

Service fee income

Service fee income is recognised when the related services are performed.

Advisory and other income

Advisory service fees are accrued on a time proportionate basis, as the services are rendered.

Special commission income

Special commission income is accrued on an effective yield basis.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value of property and equipment are depreciated on a straight line basis over the estimated useful lives of the assets.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure for repair and maintenance are charged to statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Societe Generale Saudi Arabia
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax is provided for in accordance with Saudi Arabian fiscal regulations. The provision is charged to the statement of income.

Deferred tax liabilities and assets are recognised for all temporary differences at current rates of taxation. The carrying amount of any deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available in the near future to allow all or part of the deferred tax asset to be utilised. The deferred tax is charged to the statement of income.

Accounts receivable

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Accruals and other payables

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

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Employees' terminal benefits

Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the balance sheet date.

Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the income for the year after income tax has been transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the capital. The reserve is not available for distribution.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents consist of time deposits with original maturity of three months or less, bank balances and cash on hand.

Expenses

All expenses except special commission expense are classified as general and administrative expenses. General and administrative expenses are expensed as incurred.

Special commission expense

Special commission expense is accrued on an effective yield basis.

Operating lease

Operating lease payments are recognised as an expense in the statement of income on a straight line basis over the lease term.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

Societe Generale Saudi Arabia
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

3 BANK BALANCES AND CASH

	2015 SR	2014 SR
Bank balances	8,027,131	49,382,599
Time deposits with original maturity of three months or less	45,567,661	-
Cash on hand	4,267	26,899
Bank balances and cash	53,599,059	49,409,498
Time deposits with original maturity of more than three months	(45,567,661)	-
Cash and cash equivalents	8,031,398	49,409,498

Time deposit held with a local bank earns special commission and will mature during 2016.

4 PREPAYMENTS AND OTHER RECEIVABLES

	2015 SR	2014 SR
Prepaid expenses	879,172	781,895
Advance to employees	213,561	149,565
Special commission receivable	39,492	-
Others	137,098	173,480
	1,269,323	1,104,940

5 PROPERTY AND EQUIPMENT

The cost of property and equipment is depreciated on a straight-line basis over the following estimated useful lives:

	Leasehold improvements 10 years	IT (Information Technology) equipment 3 to 5 years	Furniture and fixtures Vehicle	3 to 10 years 4 years		
	Leasehold improvements SR	IT equipment SR	Furniture and fixtures SR	Vehicle SR	2015 Total SR	2014 Total SR
Cost:						
At 1 January	750,310	950,112	481,631	195,000	2,377,053	2,280,926
Additions during the year	50,700	93,950	-	95,250	239,900	96,127
At 31 December	801,010	1,044,062	481,631	290,250	2,616,953	2,377,053
Accumulated Depreciation:						
At 1 January	301,398	699,963	247,113	195,000	1,443,474	1,180,668
Charge for the year	78,373	126,828	42,628	16,767	264,596	262,806
At 31 December	379,771	826,791	289,741	211,767	1,708,070	1,443,474
Net book value:						
At 31 December 2015	421,239	217,271	191,890	78,483	908,883	
At 31 December 2014	448,912	250,149	234,518	-		933,579

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

6 ACCRUALS AND OTHER PAYABLES

	2015 SR	2014 SR
Accruals and other payables	3,190,232	2,105,438
Due to a related party (note 8)	274,928	309,317
	<u>3,465,160</u>	<u>2,414,755</u>

7 INCOME TAX

Charge for the year

Income tax charge for the year amounted to SR 304,285 (2014: SR 161,269). Income tax has been provided for based on 20% of the adjusted taxable income of SR 1,521,427 (2014: SR 806,343). The differences between the financial and adjusted taxable income are mainly due to certain disallowed provisions.

Movement in provision

	2015 SR	2014 SR
At 1 January	161,269	217,590
Provision during the year	304,285	161,269
Payment during the year	(161,269)	(217,590)
	<u>304,285</u>	<u>161,269</u>
At 31 December		

Status of assessments

The Company has filed its tax declarations all fiscal years up to 31 December 2014 with the Department of Zakat and Income Tax ("DZIT"). The assessments have been finalised by the DZIT up to 31 December 2013.

8 RELATED PARTY TRANSACTIONS AND BALANCES

The following are the details of major related party transactions during the year:

		Amount of transactions	
		2015	2014
Related parties	Nature of transactions	SR	SR
<u>Shareholder</u>			
Societe Generale – Paris	Service fees charged by the Company (a)	13,960,493	12,866,063
	Special commission expense (c)	-	182,561
<u>Affiliate</u>			
Societe Generale – Dubai	Expenses charged by SG Dubai (b)	721,720	446,283
	Payment made to SG Dubai	446,792	257,145
Board of Directors	Board of Directors fees (note 10)	300,000	300,000
Key management personnel	Remuneration	3,173,140	3,377,625

- a) The Company has a transfer pricing agreement for the provision of general administrative and representative services in Saudi Arabia on behalf of SG Paris. The service fee is charged to SG Paris at cost plus 10% of all expenses (excluding income tax and any other expenses charged by SG Paris) incurred by the Company.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- b) The Company also has a service level agreement with Societe Generale, Dubai for provision of human resources and information technology services to the Company.
- c) The Company had obtained a subordinated loan from Societe Generale, Paris ("SG Paris") in 2010, which was due for payment during 2013. However, it was rescheduled for repayment on 1-May 2014 and was paid in full in 2014. The loan carried a special commission rate of 5.16% per annum, payable on a semi-annual basis. The loan was obtained in order to maintain the minimum capital requirements as per the CMA Regulations.

Amounts due from and due to a related party are shown on the balance sheet and in note 6, respectively.

9 SHARE CAPITAL

The authorised, issued and paid up share capital consists of 5,000,000 shares of SR 10 each in 2015 and 2014.

10 GENERAL AND ADMINISTRATIVE EXPENSES

	2015 SR	2014 SR
Salaries and employee related expenses	7,440,515	6,428,456
Professional and consulting fees	1,007,218	1,501,205
IT related fees	1,266,738	1,200,773
Insurance	642,945	689,463
Travelling	502,059	460,258
Rent	389,005	387,459
Board of Directors fees	300,000	300,000
Depreciation (note 5)	264,595	262,806
Advertising and public relations	261,721	199,574
Postage and communication	194,859	116,553
Others	421,702	149,361
	<u>12,691,357</u>	<u>11,695,908</u>

11 EARNINGS PER SHARE

Earnings per share for the year is calculated by dividing the attributable income for the year by 5,000,000 shares outstanding at the end of the year.

12 RISK MANAGEMENT

Special commission rate risk

Special commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market rates. The Company does not have any floating special commission bearing financial assets or liabilities as at 31 December 2015.

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 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 Riyals and US Dollars during the year.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

12 RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on its bank balances and receivables. The Company's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in releasing funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash and cash equivalents and other receivables. Its financial liabilities consist of accrued expenses and other payables.

The fair values of financial instruments are not materially different from their carrying values.

14 SEGMENT REPORTING

The segment information have not been disclosed since the Company has not entered into any commercial activity except representative services provided to SG. Segment information is therefore not assessed as relevant for the Company.

15 APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors has approved these financial statements on 15 Jumad Al Thani 1437H (corresponding to 24 March 2016).