

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

**FINANCIAL STATEMENTS**

**31 DECEMBER 2016**

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

**Scope of audit:**

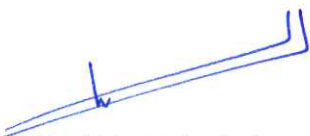
We have audited the accompanying balance sheet of Societe Generale Saudi Arabia - a Saudi Closed Joint Stock Company ("the Company") as of 31 December 2016 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the requirements 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 2016 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: 27 Jumad Al Awal 1438H  
(26 March 2017)

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

**BALANCE SHEET**

As at 31 December 2016

	Notes	2016 SR	2015 SR
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Bank balances and cash	3	52,095,523	53,599,059
Due from a related party	8	6,696,502	4,929,558
Prepayments and other receivables	4	1,062,556	1,269,323
<b>TOTAL CURRENT ASSETS</b>		<b>59,854,581</b>	<b>59,797,940</b>
<b>NON-CURRENT ASSET</b>			
Property and equipment	5	1,047,923	908,883
Deferred tax asset	7	71,570	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,119,493</b>	<b>908,883</b>
<b>TOTAL ASSETS</b>		<b>60,974,074</b>	<b>60,706,823</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accruals and other payables	6	2,235,446	3,465,160
Income tax payable	7	398,455	304,285
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,633,901</b>	<b>3,769,445</b>
<b>NON-CURRENT LIABILITY</b>			
Employees' terminal benefits		390,632	211,260
<b>TOTAL LIABILITIES</b>		<b>3,024,533</b>	<b>3,980,705</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	50,000,000	50,000,000
Statutory reserve		794,955	672,613
Retained earnings		7,154,586	6,053,505
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>57,949,541</b>	<b>56,726,118</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>60,974,074</b>	<b>60,706,823</b>

The attached notes 1 to 16 form part of these financial statements.

Societe Generale Saudi Arabia  
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STATEMENT OF INCOME

For the year ended 31 December 2016

	Notes	2016 SR	2015 SR
<b>REVENUE</b>			
Service fees	8	12,669,261	13,960,493
Arranging fees		178,702	-
		<u>12,847,963</u>	<u>13,960,493</u>
<b>EXPENSES</b>			
General and administrative	10	(11,679,966)	(12,691,357)
<b>INCOME FROM MAIN OPERATIONS</b>		<u>1,167,997</u>	<u>1,269,136</u>
Other income	11	391,224	74,082
<b>NET INCOME BEFORE TAX</b>		<u>1,559,221</u>	<u>1,343,218</u>
Income tax charge	7	(407,368)	(304,285)
Deferred tax assets	7	71,570	-
<b>NET INCOME FOR THE YEAR</b>		<u><u>1,223,423</u></u>	<u><u>1,038,933</u></u>
<b>EARNINGS PER SHARE IN SAUDI RIYAL</b>			
Attributable to income from main operations	12	<u>0.23</u>	<u>0.25</u>
Attributable to net income for the year	12	<u><u>0.24</u></u>	<u><u>0.21</u></u>

The attached notes 1 to 16 form part of these financial statements.

Societe Generale Saudi Arabia  
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STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 SR	2015 SR
<b>OPERATING ACTIVITIES</b>			
Net income before income tax		1,559,221	1,343,218
Adjustments for:			
Depreciation	5	308,117	264,596
Foreign exchange gain		187,383	-
Provision for employees' terminal benefits		179,372	176,737
		<u>2,234,093</u>	<u>1,784,551</u>
Changes in operating assets and liabilities:			
Due from a related party		(1,766,944)	2,070,092
Prepayments and other receivables		206,767	(164,383)
Accruals and other payables		(1,417,097)	1,050,405
		<u>(743,181)</u>	<u>4,740,665</u>
Cash generated from (used in) operations		(743,181)	4,740,665
Income tax paid	7	(313,198)	(161,269)
Employee terminal benefits paid		-	(149,935)
		<u>(313,198)</u>	<u>(311,204)</u>
Net cash (used in) generated from operating activities		<u>(1,056,379)</u>	<u>4,429,461</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	5	(447,157)	(239,900)
Maturity of time deposits with original maturity of more than three months		45,567,661	-
Additions to time deposits with original maturity of more than three months		-	(45,567,661)
		<u>45,120,504</u>	<u>(45,807,561)</u>
Net cash generated (used in) from investing activities		45,120,504	(45,807,561)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		<u>44,064,125</u>	<u>(41,378,100)</u>
Cash and cash equivalents at the beginning of the year		8,031,398	49,409,498
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>			
	3	<u>52,095,523</u>	<u>8,031,398</u>
<u><b>Supplementary information</b></u>			
Special commission income received		<u>145,734</u>	<u>34,590</u>

The attached notes 1 to 16 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 2016

	<i>Share capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
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
Net income for the year	-	-	1,223,423	1,223,423
Transfer to statutory reserve	-	122,342	(122,342)	-
<b>Balance at 31 December 2016</b>	<b>50,000,000</b>	<b>794,955</b>	<b>7,154,586</b>	<b>57,949,541</b>

The attached notes 1 to 16 form part of these financial statements.

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

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

**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 09142-37 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 arranging 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  
(A Saudi Closed Joint Stock Company)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2016

**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***

In accordance with Saudi Arabian Regulations for Companies, the Company must transfer 10% of its net income in each year (after deducting Income tax and accumulated losses brought forward) to the statutory reserve. The Company may resolve to discontinue such transfers when it builds up a reserve equal to one-half 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 2016

**3 BANK BALANCES AND CASH**

	2016 SR	2015 SR
Bank balances	6,431,810	8,027,131
Time deposits with original maturity of three months or less	45,660,319	-
Cash on hand	3,394	4,267
Cash and cash equivalents	52,095,523	8,031,398
Time deposits with original maturity of more than three months	-	45,567,661
Bank balances and cash	52,095,523	53,599,059

Time deposit held with a local bank which earns special commission at 0.95% per annum and will mature during 2017.

**4 PREPAYMENTS AND OTHER RECEIVABLES**

	2016 SR	2015 SR
Prepaid expenses	769,344	879,172
Advance to employees	148,338	213,561
Special commission receivable	97,599	39,492
Others	47,275	137,098
	1,062,556	1,269,323

**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 3 to 10 years	Vehicles 4 years		
	Leasehold improvements SR	IT equipment SR	Furniture and fixtures SR	Vehicles SR	2016 Total SR	2015 Total SR
<b>Cost:</b>						
At 1 January	801,010	1,044,062	481,631	290,250	2,616,953	2,377,053
Additions during the year	-	88,107	-	359,050	447,157	239,900
At 31 December	801,010	1,132,169	481,631	649,300	3,064,110	2,616,953
<b>Accumulated Depreciation:</b>						
At 1 January	379,771	826,791	289,741	211,767	1,708,070	1,443,474
Charge for the year	80,099	121,391	38,387	68,240	308,117	264,596
At 31 December	459,870	948,182	328,128	280,007	2,016,187	1,708,070
<b>Net book value:</b>						
At 31 December 2016	341,140	183,987	153,503	369,293	1,047,923	
At 31 December 2015	421,239	217,271	191,890	78,483		908,883

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2016

**6 ACCRUALS AND OTHER PAYABLES**

	2016 SR	2015 SR
Accruals and other payables	2,212,447	3,190,232
Due to a related party (note 8)	22,999	274,928
	<u>2,235,446</u>	<u>3,465,160</u>

**7 INCOME TAX**

*Charge for the year*

Income tax charge for the year amounted to SR 407,368 (2015: SR 304,285). Income tax has been provided for based on 20% of the adjusted taxable income of SR 1,992,268 (2015: SR 1,521,427). The differences between the financial and adjusted taxable income are mainly due to certain disallowed provisions.

The Company has recognized a deferred tax asset amounting to SR 71,570 (2015: SR NIL) during the year due to taxable temporary differences in the tax base of end of service provisions and property & equipment. The Company may utilize this against its future taxable profits.

*Movement in provision*

	<i>Income tax</i>		<i>Deferred tax</i>	
	2016 SR	2015 SR	2016 SR	2015 SR
At beginning of year	304,285	161,269	-	-
Provided/(released) during the year	407,368	304,285	(71,570)	-
Payments during the year	(313,198)	(161,269)	-	-
At end of the year	<u>398,455</u>	<u>304,285</u>	<u>(71,570)</u>	<u>-</u>

*Status of assessments*

The Company has filed its tax declarations all fiscal years up to 31 December 2015 with the General Authority of Zakat and Tax ("GAZT"). The assessments have been finalised by the GAZT up to 31 December 2013.

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

31 December 2016

**8 RELATED PARTY TRANSACTIONS AND BALANCES**

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

<i>Related parties</i>	<i>Nature of transactions</i>	<i>Amount of transactions</i>	
		<i>2016</i>	<i>2015</i>
		<i>SR</i>	<i>SR</i>
<i>Shareholder</i>			
Societe Generale – Paris	Service fees charged by the Company (a)	<b>12,669,261</b>	13,960,493
	Arranging fees (a)	<b>178,702</b>	-
<i>Affiliate</i>			
Societe Generale – Dubai	Expenses charged by SG Dubai (b)	<b>396,508</b>	721,720
	Payment made to SG Dubai	<b>671,436</b>	446,792
Societe Generale – Bangalore	Expenses charged by SG Bangalore (c)	<b>123,870</b>	-
	Payment made to SG Bangalore	<b>100,871</b>	-
<i>Board of Directors</i>	Board of Directors fees (note 10)	<b>300,000</b>	300,000
<i>Key management personnel</i>	Remuneration	<b>3,539,603</b>	3,173,140

- 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. Further, during 2016, the Company entered into several arranging deals initiated by SG Paris.
- 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) During the year, the Company entered into a service level agreement with Societe Generale Bangalore for bookkeeping services.

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 2016 and 2015.

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

31 December 2016

**10 GENERAL AND ADMINISTRATIVE EXPENSES**

	2016 SR	2015 SR
Salaries and employee related expenses	7,311,654	7,440,515
IT related fees	1,108,959	1,266,738
Professional and consulting fees	1,000,318	1,173,218
Travelling	461,232	502,059
Rent	415,194	389,005
Depreciation (note 5)	308,117	264,596
Board of Directors fees	300,000	300,000
Postage and communication	168,908	194,859
Insurance	144,292	642,945
Advertising and public relations	62,563	261,721
Others	398,729	255,701
	<u>11,679,966</u>	<u>12,691,357</u>

**11 OTHER INCOME**

	2016 SR	2015 SR
Special commission income	203,841	74,082
Foreign exchange gain	187,383	-
	<u>391,224</u>	<u>74,082</u>

**12 EARNINGS PER SHARE**

Earnings per share for the year is calculated by dividing the income from main operations and net income for the year by 5,000,000 shares outstanding at the end of the year.

31 December 2016

### 13 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 2016.

#### *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, US Dollars and Euro during the year. As at the balance sheet date, the Company's exposure to Euro is not significant.

#### *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.

### 14 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.

### 15 SEGMENT REPORTING

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

### 16 APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors has approved these financial statements on 23 Jumad Thani 1438H (corresponding to 22 March 2017).