

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

**FINANCIAL STATEMENTS**

**31 DECEMBER 2018**

**INDEPENDENT AUDITOR'S REPORT**  
**To the Shareholders of Societe Generale Saudi Arabia**  
**(A Saudi Closed Joint Stock Company)**

**Opinion**

We have audited the financial statements of Societe Generale Saudi Arabia, A Saudi Closed Joint Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the 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 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 International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of Societe Generale Saudi Arabia  
(A Saudi Closed Joint Stock Company) (continued)**

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

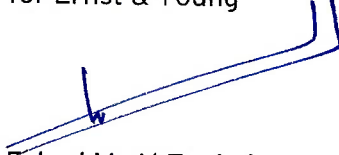
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT**  
**To the Shareholders of Societe Generale Saudi Arabia**  
**(A Saudi Closed Joint Stock Company) (continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

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.

for Ernst & Young



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

Riyadh: 21 Rajab 1440H  
(28 March 2019)



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

FINANCIAL STATEMENTS

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31 December 2018

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

STATEMENT OF FINANCIAL POSITION  
As at 31 December 2018

		31 December 2018 SR	31 December 2017 SR (Restated – Note 2)	1 January 2017 SR (Restated – Note 2)
	Notes			
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property and equipment	4	609,592	891,709	1,013,171
Intangible assets	5	9,116	18,233	34,752
Prepayments		-	51,671	-
Deferred tax assets	6	334,559	247,029	159,854
<b>TOTAL NON-CURRENT ASSETS</b>		<b>953,267</b>	<b>1,208,642</b>	<b>1,207,777</b>
<b>CURRENT ASSETS</b>				
Due from a related party	7	5,749,693	3,138,395	6,696,502
Prepayments and other current receivables	8	1,873,397	925,816	1,062,556
Time deposit	9	46,187,860	-	-
Cash and cash equivalents	9	9,126,295	50,989,501	52,095,523
<b>TOTAL CURRENT ASSETS</b>		<b>62,937,245</b>	<b>55,053,712</b>	<b>59,854,581</b>
<b>TOTAL ASSETS</b>		<b>63,890,512</b>	<b>56,262,354</b>	<b>61,062,358</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	10	50,000,000	50,000,000	50,000,000
Statutory reserve		1,065,667	915,977	794,955
Retained earnings		3,631,424	2,257,796	7,222,107
Other Reserves		(48,859)	(22,438)	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>54,648,232</b>	<b>53,151,335</b>	<b>58,017,062</b>
<b>LIABILITIES</b>				
<b>NON-CURRENT LIABILITY</b>				
Employees' end of service benefits	11	897,653	651,797	411,395
<b>CURRENT LIABILITIES</b>				
Income tax payable	6	657,443	371,552	398,455
Accruals and other payables	12	7,687,184	2,087,670	2,235,446
<b>TOTAL CURRENT LIABILITIES</b>		<b>8,344,627</b>	<b>2,459,222</b>	<b>2,633,901</b>
<b>TOTAL LIABILITIES</b>		<b>9,242,280</b>	<b>3,111,019</b>	<b>3,045,296</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>63,890,512</b>	<b>56,262,354</b>	<b>61,062,358</b>

The attached notes 1 to 21 form an integral part of these financial statements.

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

		<i>31 December</i>	
	<i>Notes</i>	<i>2018</i>	<i>2017</i>
		<i>SR</i>	<i>SR</i>
Revenue	13	13,835,966	11,905,636
General and administrative expenses	14	(12,546,443)	(10,858,324)
<b>INCOME FROM MAIN OPERATIONS</b>		<b>1,289,523</b>	<b>1,047,312</b>
Other income	15	826,250	445,942
<b>PROFIT BEFORE TAX</b>		<b>2,115,773</b>	<b>1,493,254</b>
Current income tax charge	6	(679,985)	(370,213)
Deferred income tax charge	6	87,530	87,175
<b>PROFIT FOR THE YEAR</b>		<b>1,523,318</b>	<b>1,210,216</b>
<b>Other comprehensive loss that will not be reclassified subsequently to profit or loss:</b>			
Remeasurement loss on employees' end of service benefits	11	(26,421)	(22,438)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,496,897</b>	<b>1,187,778</b>

The attached notes 1 to 21 form an integral part of these financial statements.

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2018

	Share Capital SR	Statutory reserve SR	Retained earnings SR	Other Reserves SR	Total SR
Balance at 1 January 2017 (Restated – Note 2)	50,000,000	794,955	7,222,107	-	58,017,062
<b>Comprehensive income:</b>					
Profit for the year	-	-	1,210,216	-	1,210,216
Other comprehensive loss for the year	-	-	-	(22,438)	(22,438)
Total comprehensive income for the year	-	-	1,210,216	(22,438)	1,187,778
Transfer to statutory reserve	-	121,022	(121,022)	-	-
<b>Transactions with owners in their capacity as owners:</b>					
Dividends (note 16)	-	-	(6,053,505)	-	(6,053,505)
Balance at 31 December 2017 (Restated – Note 2)	50,000,000	915,977	2,257,796	(22,438)	53,151,335
<b>Comprehensive income:</b>					
Profit for the year	-	-	1,523,318	-	1,523,318
Other comprehensive loss for the year	-	-	-	(26,421)	(26,421)
Total comprehensive income for the year	-	-	1,523,318	(26,421)	1,496,897
Transfer to statutory reserve	-	149,690	(149,690)	-	-
<b>Balance at 31 December 2018</b>	<b>50,000,000</b>	<b>1,065,667</b>	<b>3,631,424</b>	<b>(48,859)</b>	<b>54,648,232</b>

The attached notes 1 to 21 form an integral part of these financial statements.



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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

		<i>Year ended 31 December</i>	
		<i>2018</i>	<i>2017</i>
	<i>Notes</i>	<i>SR</i>	<i>SR</i>
<b>OPERATING ACTIVITIES</b>			
Profit before income tax		2,115,773	1,493,254
<i>Adjustments for:</i>			
Provision for employees' end of service benefits	11	242,796	225,464
Depreciation and amortisation	14	328,583	323,734
Gain on disposal of property and equipment	15	-	(46,000)
Special commission income	15	(826,250)	(399,942)
		<u>1,860,902</u>	<u>1,596,510</u>
<i>Changes in operating assets and liabilities:</i>			
Due from a related party		(2,611,299)	3,558,107
Prepayments and other current receivables		(895,909)	85,069
Accruals and other payables		<u>5,599,514</u>	<u>(147,776)</u>
Cash generated from operations		<u>3,953,208</u>	<u>5,091,910</u>
Income tax paid	6.3	(394,094)	(397,116)
Employees' end of service benefits paid	11	<u>(23,361)</u>	<u>(7,500)</u>
Net cash from operating activities		<u>3,535,753</u>	<u>4,687,294</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	4	(37,349)	(185,753)
Proceeds from disposal of property and equipment		-	46,000
Special commission income received		826,250	399,942
Timed deposit		<u>(46,187,860)</u>	<u>-</u>
Net cash (used in) from investing activities		<u>(45,398,959)</u>	<u>260,189</u>
<b>FINANCING ACTIVITY</b>			
Dividends paid	16	-	(6,053,505)
Cash used in financing activity		<u>-</u>	<u>(6,053,505)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(41,863,206)</u>	<u>(1,106,022)</u>
Cash and cash equivalents at the beginning of the year	9	<u>50,989,501</u>	<u>52,095,523</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	9	<u><u>9,126,295</u></u>	<u><u>50,989,501</u></u>

The attached notes 1 to 21 form an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2018

**1 ACTIVITIES**

Societe Generale Saudi Arabia Company (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 incorporated and domiciled under commercial registration number 1010279178 dated 18 Muharram 1431H (corresponding to 4 January 2010). The Company has also obtained a license number 14182-30 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.

The registered address of the Company is Abraj Al Ta'awuneya, North Tower, King Fahad Road, P.O. Box 53828, Riyadh 11593, Kingdom of Saudi Arabia.

**2 SIGNIFICANT ACCOUNTING POLICIES**

**2.1 BASIS OF PREPARATION**

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

For all periods up to the year ended 31 December 2017, the Company prepared its financial statements in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by SOCPA ("Saudi GAAP"). These financial statements for the year ended 31 December 2018 are the first the Company has prepared in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other pronouncements that are issued by SOCPA. Refer to note 2.3 for information on the impact of the adoption of IFRS.

The financial statements have been prepared on a historical cost basis of accounting. The financial statements are presented in Saudi Riyals ("SR"), which is the Company's functional currency. All financial information has been rounded off to the nearest unit, unless otherwise indicated.

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following are the significant accounting policies applied by the Company in preparing its financial statements:

**2.2.1 Current versus non-current classification**

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other assets and liabilities as non-current.

Deferred tax assets/liabilities are classified as non-current assets/liabilities.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2.2 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### 2.2.3 Financial instruments

Financial instruments are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial instruments at initial recognition.

The Company classifies its financial assets in the following categories:

- a) Fair value (either through other comprehensive income, or through profit or loss); and
- b) Amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Company has classified all the non-derivative financial liabilities at amortised cost.

Financial liabilities falling under this category of liabilities held for trading and those designated at fair value through profit and loss.

#### *Impairment of Financial Instruments*

The Company assesses the expected credit losses associated with its assets carried at amortised cost and debt instruments carried at fair value through OCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. Accordingly, the provision for impairment of financial instruments is measured by the amount of the expected credit losses over the life of the financial instrument. If credit risk has not increased significantly since the initial recognition, 12-months expected credit losses is used to provide for the impairment provision. The Company applies a simplified approach for assessment of the provision for its receivables. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on the lifetime ECLs at each reporting date.

#### *Derecognition of financial assets*

The financial assets are derecognized from the statement of financial position when the rights to receive cash flows from the financial assets have expired or have transferred or transferred substantially all risks and rewards of ownership. The difference in the carrying amount is recognized in profit or loss.

#### *Derecognition of financial liabilities*

The financial liabilities are derecognized when the underlying obligations are extinguished, discharged, lapsed, cancelled, expired or legally released.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2.3 Financial instruments (continued)**

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to offset and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**2.2.4 Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes bank balances, cash in hand and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**2.2.5 Prepayments and other current receivables**

Prepayments are recognized in the event that payment has been made in advance of obtaining right of access to receipt of services and measured at nominal amounts. These are derecognized and charged to profit or loss and OCI either with the passage of time or through use or consumption.

Prepayments are included in current assets, except when the related goods or services are expected to be received and rendered more than twelve months after the end of the reporting period, in which case, these are classified as non-current assets.

**2.2.6 Property and equipment**

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment if the recognition criteria are met.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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.

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 comprehensive income when the asset is derecognized.

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.

**2.2.7 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation 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 considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.



**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2.8 Impairment of non-financial assets**

The carrying values of non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Value in use requires entities to make estimates of future cash flows to be derived from the particular asset, and discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risks specific to the asset. Impairment losses, if any, are recognized in statement of profit or loss and OCI within other expenses.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. When impairment loss subsequently reverses, the carrying amount of the assets or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. Reversals of previously recorded impairment provisions are credited against the provision account in the statement of comprehensive income.

**2.2.9 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a financial charge.

**2.2.10 Related party transactions and relationships**

Related party relationships exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities, which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

**2.2.11 Employees' end of service benefits**

The level of benefit provided is based on the length of service and earnings of the person entitled and computed in accordance with the rules stated as per Saudi Arabian Labour Law.

The liability for end of service benefits, being a defined benefit plan, is determined using the projected unit credit method with actuarial valuations being conducted at the end of the annual reporting periods. The related liability recognised in the statement of financial position is the present value of the end of service benefits obligation at the end of the reporting period.

The discount rate applied in arriving at the present value of the end of service benefits obligation represents the yield on government bonds, by applying a single discount rate that approximately reflects the estimated timing and amount of benefit payments.

End of service benefits costs are categorised as follows:

- i) current service cost (increase in the present value of end of service benefits obligation resulting from employee service in the current period)
- ii) interest expense (calculated by applying the discount rate at the beginning of the period to the end of service benefits liability); and
- iii) remeasurement

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2.11 Employees' end of service benefits (continued)**

Current service cost and the interest expense arising on the end of service benefits liability are included in the same line items in the statement of comprehensive income as employee-related costs.

Remeasurement, comprising actuarial gains and losses, is recognised in full in the period in which they occur, in OCI without recycling to the profit or loss in subsequent periods. Amounts recognised in OCI are recognised immediately in retained earnings.

The related income tax effects related to actuarial gains and losses for the years ended 31 December 2018 and 2017 were immaterial.

Past service costs are recognised in profit or loss on the earlier of:

- i) The date of the plan amendment or curtailment, and
- ii) The date that the Company recognises related restructuring costs.

**2.2.12 Statutory reserve**

In accordance with Saudi Arabian Regulations for Companies, the Company must transfer 10% of its profit for the period until it has built up a reserve equal to 30% of the share capital. The reserve is not available for distribution.

**2.2.13 Revenue recognition**

The Company is in the business of providing arranging and advisory services. The Company also has a transfer pricing agreement for the provision of general administrative and representative services in Saudi Arabia on behalf of SG Paris. Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those or services.

**a) Arranging services**

Arranging services represent the services performed to the customers for arranging securities market advice and obtaining approval from the legal authorities for treatment of such advices. The Company is acting as an agent in these arrangements. The Company's revenue is in the form of fixed commission.

When another party is involved in providing services to its customer, the Company determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Company is a principal and records revenue on a gross basis if it controls the promised services before transferring them to the customer. However, if the Company's role is only to arrange for another entity to provide the services, then the Company is an agent and will need to record revenue at the net amount that it retains for its agency services.

Revenue from arranging services is recognized at a point in time when it satisfies its promise to facilitate the service.

**b) Advisory services**

Advisory services represent the services related to financial and investment advice provided to the customers under fixed-price contracts.

Under the terms of advisory services contracts, the Company's performance obligations represent the delivery of technical advisory reports to the customers. The price for each performance obligation is allocated as per the related contracts. Revenue is recognised at a point in time when the control is transferred to the customer.

**c) Service fees - Revenue from transfer pricing**

The Company has a transfer pricing agreement for the provision of general administrative and representative services in Saudi Arabia on behalf of Societe Generale (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. Accordingly, revenue is recognized over time in the amount to which the Company has the right to invoice.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2.13 Revenue recognition (continued)

#### Contract balances

##### Contract assets

A contract asset is the right to consideration in exchange for services transferred to the customer. If the Company performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

##### Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

##### Contract liabilities

A contract liability is the obligation to transfer services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

##### Cost to obtain a contract

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

### 2.2.14 Expenses

Expenses are recognised when incurred based on the accruals basis of accounting.

### 2.2.15 Income tax

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

Deferred tax liabilities and assets are recognised for all temporary differences at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. The deferred tax is charged to the statement of comprehensive income. Deferred tax relating to items recognised outside profit or loss are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### 2.2.16 Operating lease

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2.17 *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 comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

### 2.2.18 *Standards and interpretations issued but not yet effective*

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

#### IFRS 16, *Leases*

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

During 2018, the Company has performed a detailed impact assessment of IFRS 16. Based on this assessment, it is expected that the total assets and liabilities will increase by 1.6% and 10.8%, respectively.



## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2.18 Standards and interpretations issued but not yet effective (continued)

The following amendments to standards are not yet effective but are not expected to have a significant impact on the Company's financial statements:

- IFRIC 23 – Uncertainty over tax treatments
- Prepayment feature with negative compensation (amendments to IFRS 9)
- Long term interests in associates and joint ventures (amendments to IAS 28)
- Planned amendments, curtailments or settlement (amendments to IAS 19)
- Annual Improvements to IFRS 2015 – 2017 Cycle – various standards
- IFRS 17 – Insurance Contracts

### 2.3 FIRST-TIME ADOPTION OF IFRS

These financial statements, for the year ended 31 December 2018, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2017, the Company prepared its financial statements in accordance with Saudi GAAP.

Since these are the first financial statements where IFRS has been adopted, the Company is required to comply with the requirements of IFRS 1, *First-time Adoption of International Financial Reporting Standards*. As per IFRS 1, the financial statements are required to be prepared and presented as if the IFRS was adopted for all the periods presented.

In preparing its opening IFRS statement of financial position, the Company has analysed the impact and adjusted and reclassified certain balances that were previously reported under Saudi GAAP.

The following note explains how the transition to IFRSs has affected the financial position and financial performance of the Company.

There were no material adjustments to the statement of cash flows as a result of the first-time adoption of IFRS.

#### 2.3.1 IFRS 1 optional exemptions and estimates

1. IFRS 1 allows first-time adopters certain optional exemptions from the retrospective application of certain requirements under IFRS. The Company has not applied any of those optional exemptions.
2. Estimates at 1 January 2017 are consistent with those made for the same dates in accordance with Saudi GAAP (after adjustments to reflect any differences in accounting policies) apart from employees' terminal benefits liabilities where application of Saudi GAAP did not require estimation. Estimates used by the Company to present the amount in accordance with IFRS reflect conditions at 1 January 2017, the date of transition to IFRS and as at 31 December 2017.

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**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 FIRST-TIME ADOPTION OF IFRS (continued)**

**2.3.2 Company's reconciliation for statement of comprehensive income for the year ended 31 December 2017**

	Notes	Saudi GAAP SR	IFRS Adjustments SR	IFRS SR
Revenue		11,905,636	-	<b>11,905,636</b>
General and administrative expenses	D	(10,823,306)	(35,018)	<b>(10,858,324)</b>
<b>INCOME FROM MAIN OPERATIONS</b>		<b>1,082,330</b>	<b>(35,018)</b>	<b>1,047,312</b>
Other income		445,942	-	<b>445,942</b>
<b>PROFIT BEFORE TAX</b>		<b>1,528,272</b>	<b>(35,018)</b>	<b>1,493,254</b>
Current income tax charge		(370,213)	-	<b>(370,213)</b>
Deferred income tax charge	C	(1,784)	88,959	<b>87,175</b>
<b>PROFIT FOR THE YEAR</b>		<b>1,156,275</b>	<b>53,941</b>	<b>1,210,216</b>
<b>Other comprehensive loss that will not be reclassified subsequently to profit or loss:</b>				
Remeasurement of end of service benefits	D	-	(22,438)	<b>(22,438)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,156,275</b>	<b>31,503</b>	<b>1,187,778</b>

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**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 FIRST-TIME ADOPTION OF IFRS (continued)**

**2.3.3 Company's reconciliation for statement of financial position as at 31 December 2017**

	Notes	Saudi GAAP SR	IFRS Adjustments SR	IFRS SR
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property and equipment	A	909,942	(18,233)	<b>891,709</b>
Intangible assets	A	-	18,233	<b>18,233</b>
Prepayments	B	-	51,671	<b>51,671</b>
Deferred tax assets	C	69,786	177,243	<b>247,029</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>979,728</b>	<b>228,914</b>	<b>1,208,642</b>
<b>CURRENT ASSETS</b>				
Due from a related party		3,138,395	-	<b>3,138,395</b>
Prepayments and other current receivables	B	977,487	(51,671)	<b>925,816</b>
Cash and cash equivalents		50,989,501	-	<b>50,989,501</b>
<b>TOTAL CURRENT ASSETS</b>		<b>55,105,383</b>	<b>(51,671)</b>	<b>55,053,712</b>
<b>TOTAL ASSETS</b>		<b>56,085,111</b>	<b>177,243</b>	<b>56,262,354</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITY</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Share capital		50,000,000	-	<b>50,000,000</b>
Statutory reserve	E	910,582	5,395	<b>915,977</b>
Retained earnings	C,D,E	2,141,729	116,067	<b>2,257,796</b>
Other Reserves		-	(22,438)	<b>(22,438)</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>53,052,311</b>	<b>99,024</b>	<b>53,151,335</b>
<b>LIABILITIES</b>				
<b>NON-CURRENT LIABILITY</b>				
Employees' end of service benefits	D	573,578	78,219	<b>651,797</b>
<b>CURRENT LIABILITIES</b>				
Income tax payable		371,552	-	<b>371,552</b>
Accruals and other payables		2,087,670	-	<b>2,087,670</b>
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,459,222</b>	<b>-</b>	<b>2,459,222</b>
<b>TOTAL LIABILITIES</b>		<b>3,032,800</b>	<b>78,219</b>	<b>3,111,019</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>56,085,111</b>	<b>177,243</b>	<b>56,262,354</b>

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**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 FIRST-TIME ADOPTION OF IFRS (continued)**

**2.3.4 Company's reconciliation for statement of financial position as at 1 January 2017**

	Notes	Saudi GAAP SR	IFRS Adjustments SR	IFRS SR
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property and equipment	A	1,047,923	(34,752)	<b>1,013,171</b>
Intangible assets	A	-	34,752	<b>34,752</b>
Deferred tax assets	C	71,570	88,284	<b>159,854</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,119,493</b>	<b>88,284</b>	<b>1,207,777</b>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents		52,095,523	-	<b>52,095,523</b>
Due from a related party		6,696,502	-	<b>6,696,502</b>
Prepayments and other current receivables		1,062,556	-	<b>1,062,556</b>
<b>TOTAL CURRENT ASSETS</b>		<b>59,854,581</b>	<b>-</b>	<b>59,854,581</b>
<b>TOTAL ASSETS</b>		<b>60,974,074</b>	<b>88,284</b>	<b>61,062,358</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Share capital		50,000,000	-	<b>50,000,000</b>
Statutory reserve		794,955	-	<b>794,955</b>
Retained earnings	C, D	7,154,586	67,521	<b>7,222,107</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>57,949,541</b>	<b>67,521</b>	<b>58,017,062</b>
<b>LIABILITIES</b>				
<b>NON-CURRENT LIABILITY</b>				
Employees' end of service benefits	D	390,632	20,763	<b>411,395</b>
<b>CURRENT LIABILITIES</b>				
Accruals and other payables		2,235,446	-	<b>2,235,446</b>
Income tax payable		398,455	-	<b>398,455</b>
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,633,901</b>	<b>-</b>	<b>2,633,901</b>
<b>TOTAL LIABILITIES</b>		<b>3,024,533</b>	<b>20,763</b>	<b>3,045,296</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>60,974,074</b>	<b>88,284</b>	<b>61,062,358</b>

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**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 FIRST-TIME ADOPTION OF IFRS (continued)**

**2.3.5 Notes to the Company's reconciliation for statement of comprehensive income and statement of financial position**

**A Reclassification of property and equipment to intangible assets**

Under IAS 38, *Intangible Assets*, intangible assets are defined as an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others. An example of intangible assets a computer software, which the Company owns. Accordingly, SR 18,233, which represents the net book amount of computer software, was reclassified from property and equipment to intangible assets as at 31 December 2017 (1 January 2017: SR 34,752).

**B Reclassification from current to non-current**

Under IAS 1, *Presentation of Financial Statements*, an entity shall classify an asset as current when: (a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle; (b) it holds the asset primarily for the purpose of trading; (c) it expects to realise the asset within twelve months after the reporting period; or (d) the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. An entity shall classify all other assets as non-current.

The Company has reclassified prepayments from current assets to non-current assets with the amount of SR 51,671 as at 31 December 2017 (1 January 2017: SR nil).

**C Deferred tax assets adjustment**

Under IAS 12, *Income Taxes*, deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. The Company has updated its deferred tax assets calculation and the impact arising from the above change is summarised as follows:

Statement of financial position	31 December 2017 SR	1 January 2017 SR
Increase in deferred tax assets	177,243	88,284
Increase in retained earnings	177,243	88,284

Statement of comprehensive income	For the year ended 31 December 2017 SR
Increase in deferred income tax	88,959
Adjustment to total comprehensive income	88,959

**D Provision for employees' end of service benefit**

Under Saudi GAAP, the Company calculates the provision for employees' end of service benefits as the current value of the vested benefits to which the employee is entitled, should the employee leave at the statement of financial position date. Under IAS 19, *Employee Benefits*, the employees' end of service benefits obligation measurement involves making a reliable estimate of the ultimate cost to the Company of the benefit that employees have earned in return for their service using actuarial assumptions. The obligation is measured on a discounted basis to reflect the time value of money.

As a result of applying the IFRS requirements described above, an additional liability was recognised against retained earnings, and the amounts charged to the statement of comprehensive income have changed accordingly.

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**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 FIRST-TIME ADOPTION OF IFRS (continued)**

**2.3.5 Notes to the Company's reconciliation for statement of comprehensive income and statement of financial position (continued)**

**D Provision for employees' end of service benefit (continued)**

The impact arising from the above change is summarised as follows:

Statement of financial position	31 December 2017 SR	1 January 2017 SR
Increase in employees' end of service benefits	78,219	20,763
Decrease in retained earnings	(78,219)	(20,763)
<b>Statement of comprehensive income</b>		<i>For the year ended 31 December 2017 SR</i>
Increase in general and administrative expenses		35,018
Increase in other comprehensive loss		22,438
<b>Adjustment to total comprehensive income</b>		<u>57,456</u>

The reconciliation from the IFRS opening balance to the closing balance of the year ended 31 December 2017 for the provision for end of service benefits has been set out in Note 11.1.

Remeasurement is the actuarial gains and losses which represent the changes in the employees' end of service benefits resulting from:

- the effects of differences between the previous actuarial assumptions and what has actually occurred;  
and
- the effects of changes in actuarial assumptions

**E Statutory reserve**

In accordance with Saudi Arabian Regulations for Companies, the Company must transfer 10% of its profit for the period until it has built up a reserve equal to 30% of the share capital. As a result of the adjustments of IFRS adoption, the Company has increased its statutory reserve as at 31 December 2017 with the amount of SR 5,395 with an equivalent reduction in the retained earnings to meet the applicable requirements.



### 3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

#### 3.1 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

##### a) *Principal versus agent considerations*

SG Paris is engaged in performing arranging contracts for the Company's customers. The Company determined that it does not control the services before they are transferred to customers, and it does not have the ability to direct the use of services or obtain benefits from the services. Therefore, the Company determined that it is an agent in these contracts. The following factors indicate that the Company does not control the services before they are being transferred to customers.

- SG Paris is primarily responsible for fulfilling the contract;
- The Company does not have discretion in establishing prices for the services and, therefore, the benefits that the Company can receive from the services are limited; and
- The Company's consideration is in the form of a fixed commission.

#### 3.2 USEFUL LIVES OF PROPERTY AND EQUIPMENT

The management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

#### 3.3 ASSUMPTIONS FOR END OF SERVICE BENEFITS PROVISION

The calculation of the end of service benefits provision greatly depends on the employees' estimated length of service and their estimated salary at end of service. Such estimates were based on the actuarial assumptions developed by management. Those actuarial assumptions were based on the Company's historical data, recent trends, and management plans and forecasts with respect to salary levels.

Life expectancy is not considered a principal actuarial assumption in measuring end of service benefits provision and therefore, possible changes in life expectancy are not expected to have a significant impact on the level of obligation, especially since only a few employees are assumed to serve until the retirement age. Moreover, changes in life expectancy will affect the estimates related to those employees only if life expectancy becomes less than retirement age and, in such cases, the impact is not expected to be significant.

The discount rate was estimated by reference to yields on the governmental bonds, as management assessed that there is no deep market in high quality corporate bonds. The Company used a single discount rate that approximates the estimated timing and amount of benefit payments.

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**4 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	Furniture and fixtures	3 to 10 years
IT (Information Technology) equipment	3 to 5 years	Vehicles	4 years

	<i>Leasehold improvements SR</i>	<i>IT equipment SR</i>	<i>Furniture and fixtures SR</i>	<i>Vehicles SR</i>	<i>Total SR</i>
<b>Cost:</b>					
At 1 January 2018	939,367	975,359	523,887	454,300	<b>2,892,913</b>
Additions during the year	-	37,349	-	-	<b>37,349</b>
At 31 December 2018	<u>939,367</u>	<u>1,012,708</u>	<u>523,887</u>	<u>454,300</u>	<b><u>2,930,262</u></b>
<b>Accumulated depreciation:</b>					
At 1 January 2018	544,318	858,577	399,656	198,653	<b>2,001,204</b>
Charge for the year	93,937	55,241	56,713	113,575	<b>319,466</b>
At 31 December 2018	<u>638,255</u>	<u>913,818</u>	<u>456,369</u>	<u>312,228</u>	<b><u>2,320,670</u></b>
<b>Net book amount:</b>					
At 31 December 2018	<u><u>301,112</u></u>	<u><u>98,890</u></u>	<u><u>67,518</u></u>	<u><u>142,072</u></u>	<b><u><u>609,592</u></u></b>

	<i>Leasehold improvements SR</i>	<i>IT equipment SR</i>	<i>Furniture and fixtures SR</i>	<i>Vehicles SR</i>	<i>Total SR</i>
<b>Cost:</b>					
At 1 January 2017	819,510	909,463	523,887	649,300	2,902,160
Additions during the year	119,857	65,896	-	-	185,753
Disposals during the year	-	-	-	(195,000)	(195,000)
At 31 December 2017	<u>939,367</u>	<u>975,359</u>	<u>523,887</u>	<u>454,300</u>	<b><u>2,892,913</u></b>
<b>Accumulated depreciation:</b>					
At 1 January 2017	459,870	820,984	328,128	280,007	1,888,989
Charge for the year	84,448	37,593	71,528	113,646	307,215
Disposals for the year	-	-	-	(195,000)	(195,000)
At 31 December 2017	<u>544,318</u>	<u>858,577</u>	<u>399,656</u>	<u>198,653</u>	<b><u>2,001,204</u></b>
<b>Net book amount:</b>					
At 31 December 2017	<u><u>395,049</u></u>	<u><u>116,782</u></u>	<u><u>124,231</u></u>	<u><u>255,647</u></u>	<b><u><u>891,709</u></u></b>
At 1 January 2017	<u><u>359,640</u></u>	<u><u>88,479</u></u>	<u><u>195,759</u></u>	<u><u>369,293</u></u>	<b><u><u>1,013,171</u></u></b>



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**5 INTANGIBLE ASSETS**

This account pertains to computer software acquired by the Company to support its operations. These assets have an estimated useful life of 5 years.

	2018 SR	2017 SR
<i>Cost:</i>		
At 1 January and 31 December	161,950	161,950
At 31 December	161,950	161,950
<i>Accumulated amortisation:</i>		
At 1 January	143,717	127,198
Charge for the year	9,117	16,519
At 31 December	152,834	143,717
<i>Net book amount</i>	9,116	18,233

**6 CURRENT AND DEFERRED INCOME TAX**

**6.1 CHARGE FOR THE YEAR**

The significant components of the taxable income of the Company for the years ended 31 December, as per the filed tax declarations, which are subject to adjustments under the income tax regulations are as follows:

	2018 SR	2017 SR
Profit before income tax	2,115,773	1,493,254
Tax at the statutory income tax rate of 20% (2017: 20%)	423,155	305,654
Depreciation differences	32,607	(244)
Repairs and maintenance expenses in excess of legal limitations	134,407	22,285
Provisions charged to current year's accounts	347,435	38,089
Other	(345,149)	(91,114)
Tax at the effective income tax rate of 28% (2017:18%)	592,455	274,670
Income tax expenses charged to profit or loss *	592,455	283,038

(\*) The difference between the actual income tax charge and the amount charged to profit or loss pertains to some minor variances between the figures based on the financial statements and the figures based on the filed tax declaration as allowed.

The current income tax charge for the year amounted to SR 679,985 (2017: SR 370,213). Current income tax has been provided for based on 20% of the adjusted taxable income. The differences between the financial and adjusted taxable income are mainly due to certain disallowed provisions.

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**6 CURRENT AND DEFERRED INCOME TAX (continued)**

**6.2 DEFERRED TAX ASSETS**

The deferred tax assets charge comprises temporary differences attributable to:

	<i>Statement of financial position</i>		<i>Statement of comprehensive income</i>	
	2018	2017	2018	2017
	SR	SR	SR	SR
Depreciation differences of property and equipment	168,953	125,310	45,760	43,582
Employees' end of service benefits	165,606	121,719	41,770	43,593
	<u>334,559</u>	<u>247,029</u>	<u>87,530</u>	<u>87,175</u>

**6.3 MOVEMENT IN PROVISION**

	<i>Current income tax</i>		<i>Deferred income tax asset</i>	
	2018	2017	2018	2017
	SR	SR	SR	SR
At the beginning of year	371,552	398,455	(247,029)	(159,854)
Provided/(released) during the year	679,985	370,213	(87,530)	(87,175)
Payments during the year	(394,094)	(397,116)	-	-
At the end of the year	<u>657,443</u>	<u>371,552</u>	<u>(334,559)</u>	<u>(247,029)</u>

**6.4 Status of assessments**

The Company has filed its tax declarations for all fiscal years up to 31 December 2017 with the General Authority of Zakat and Tax ("GAZT"). The assessments have been finalised by the GAZT up to 31 December 2013. The assessments for the years ended 31 December 2014 to 2017 have not yet been raised by GAZT.

**7 RELATED PARTY TRANSACTIONS AND BALANCES**

The Company is a member of an affiliated group of companies which are directly or indirectly controlled by the ultimate parent undertaking, Societe Generale – Paris, a company registered in France, which is also the Company's immediate parent entity.

**7.1 RELATED PARTY TRANSACTIONS**

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>	
		2018	2017
		SR	SR
<i>Shareholder</i>			
Societe Generale – Paris	Service fees charged by the Company (a)	11,529,850	11,778,107
	Arranging fees (a)	134,642	127,529
	Expenses - retrocession fees	(4,452,859)	-
<i>Affiliate</i>			
Societe Generale – Dubai	Expenses charged by SG Dubai (b)	189,582	79,298
	Payment made to SG Dubai	142,229	79,298
Societe Generale – Bangalore	Expenses charged by SG Bangalore (b)	114,858	91,997
	Payment made to SG Bangalore	107,192	104,365

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**7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**7.1 RELATED PARTY TRANSACTIONS (continued)**

<i>Related parties</i>	<i>Nature of transactions</i>	<i>Amount of transactions</i>	
		<i>2018</i>	<i>2017</i>
		<i>SR</i>	<i>SR</i>
<i>Board of Directors</i>	Board of Directors fees (note 14)	<b>557,638</b>	300,000
<i>Key management personnel</i>	Short-term employee benefits (c)	<b>4,503,754</b>	4,169,839

There were no special terms and conditions with the related parties as compared to un-related parties. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

- 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, the Company entered into several arranging deals initiated by SG Paris.
- The Company also has a service level agreement with Societe Generale, Dubai for provision of human resources and information technology services to the Company and a service level agreement with Societe Generale Bangalore for bookkeeping services.
- Short term employee benefits of the Company's key management personnel include salaries, allowances, bonuses and contributions to the General Organization for Social Insurance.

**7.2 RELATED PARTY BALANCES**

The following are the details of related party balances at year end:

**a) Amounts due from a related party**

	<i>31 December</i>	<i>31 December</i>	<i>1 January</i>
	<i>2018</i>	<i>2017</i>	<i>2017</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Societe Generale – Paris	<b>5,749,693</b>	3,138,395	6,696,502

**b) Amounts due to related parties**

	<i>31 December</i>	<i>31 December</i>	<i>1 January</i>
	<i>2018</i>	<i>2017</i>	<i>2017</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Societe Generale - Paris	<b>4,452,859</b>	-	22,999
	<b>4,452,859</b>	-	22,999

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**8 PREPAYMENTS AND OTHER CURRENT RECEIVABLES**

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Prepaid expenses	852,048	782,644	769,344
Special commission receivable	826,250	-	97,599
Advances to employees	66,417	82,833	148,338
Other	128,682	60,339	47,275
	<u>1,873,397</u>	<u>925,816</u>	<u>1,062,556</u>

**9 CASH AND CASH EQUIVALENTS**

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
<i>Cash and cash equivalents:</i>			
Bank balances	9,120,354	50,984,608	6,431,810
Cash in hand	5,941	4,893	3,394
Time deposit with original maturity of three months or less	-	-	45,660,319
	<u>9,126,295</u>	<u>50,989,501</u>	<u>52,095,523</u>
<i>Time deposit:</i>	<u>46,187,860</u>	<u>-</u>	<u>-</u>

The Company holds a time deposit with a local bank for which earns special commission at 2% per annum and it will mature in 2019.

**10 SHARE CAPITAL**

The authorized, issued and paid-up share capital consists of 5,000,000 shares of SR 10 each as at 31 December 2018, 2017 and 1 January 2017.

**11 EMPLOYEES' END OF SERVICE BENEFITS**

The Company has an unfunded plan for end of service benefits for its employees. Cash generated from operations are sufficient to meet end of service benefits obligations as they become due.

**11.1 CHANGES IN EMPLOYEES' END OF SERVICE BENEFIT LIABILITY**

	2018 SR	2017 SR
At the beginning of the year	651,797	411,395
Interest expense	24,005	14,268
Current service cost	218,791	211,196
End of service expense recognised in profit or loss	242,796	225,464
Benefits paid during the year	(23,361)	(7,500)
Actuarial changes arising from changes in financial assumptions	(14,679)	-
Actuarial changes arising from experience adjustments	41,100	22,438
Actuarial loss recognized in other comprehensive income	26,421	22,438
At the end of the year	<u>897,653</u>	<u>651,797</u>

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**11 EMPLOYEES' END OF SERVICE BENEFITS (continued)**

**11.1 CHANGES IN EMPLOYEES' END OF SERVICE BENEFIT LIABILITY (continued)**

End of service benefits expenses are included in general and administrative expenses in the statement of comprehensive income as employee-related costs.

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

**11.2 ASSUMPTIONS USED AND RISKS**

The principal assumptions used in determining the end of service benefit liability are shown below:

	2018 SR	2017 SR
Discount rate	3.75%	3.50%
Weighted average of the annual increase in compensation used in the calculation of end of service	2.50%	2.50%
Weighted average future number of years of service	6.7	7.2

The end of service benefit typically exposes the Company to actuarial risks such as interest risk, longevity risk and salary risk as follows:

**a) Interest risk**

As explained in note 2.2.11, the discount rate used to calculate the present value of the end of service benefits obligation is estimated by reference to yields on the available corporate bonds. A decrease in the bond interest rate will increase the end of service benefit liability.

**b) Longevity risk**

The present value of the end of service benefits obligation is calculated by reference to the best estimate of the number of years of employment. An increase in the number of the remaining years of employment will increase the end of service benefit liability.

**c) Salary risk**

The end of service benefits liability is calculated by reference to the best estimate of future salaries of employees. An increase in the salary of employees will increase the end of service benefit liability.

**11.3 SENSITIVITY ANALYSIS**

A quantitative sensitivity analysis for significant assumptions on the end of service benefits liability as at 31 December 2018 and December 2017 is as shown below:

	2018 SR	2017 SR
Discount rate:		
1% increase	(54,409)	(42,946)
1% decrease	61,595	48,822
Weighted average of the annual increase in compensation used in the calculation of end of service		
1% increase	61,753	48,822
1% decrease	(55,542)	(43,739)
Weighted average future number of years of service		
10% increase	(13,180)	(13,764)
10% decrease	13,663	14,481

# **11 EMPLOYEES' END OF SERVICE BENEFITS (continued)**

## **11.3 SENSITIVITY ANALYSIS (continued)**

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the end of service benefits liability as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the end of service benefits liability as it is unlikely that changes in assumptions would occur in isolation of one another.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the end of service benefit liability recognised in the statement of financial position. The methods and assumptions used in preparing the sensitivity analyses for the 2017 and 2016 presented above are the same.

# **12 ACCRUALS AND OTHER PAYABLES**

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>	<i>1 January 2017 SR</i>
Accruals and other payables	<b>3,234,325</b>	2,087,670	2,212,447
Due to a related party (note 7)	<b>4,452,859</b>	-	22,999
	<u><b>7,687,184</b></u>	<u>2,087,670</u>	<u>2,235,446</u>

# **13 REVENUE**

## **13.1 DISAGGREGATED REVENUE INFORMATION**

Set out below is the disaggregation of the Company's revenue from contracts with customers

<i>Type of service</i>	<i>2018 SR</i>	<i>2017 SR</i>
Service fees	<b>11,529,850</b>	11,778,107
Arranging fees	<b>134,642</b>	127,529
Advisory fees	<b>6,624,333</b>	-
Less: retrocession fees paid	<b>(4,452,859)</b>	-
Total revenue from contracts with customers	<u><b>13,835,966</b></u>	<u>11,905,636</u>

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**13 REVENUE (continued)**

**13.1 DISAGGREGATED REVENUE INFORMATION (continued)**

	2018 SR	2017 SR
<i>Type of customer</i>		
Related party, net	7,144,312	11,778,107
Governmental	6,000,000	-
Private	691,654	127,529
Total revenue from contracts with customers	<u>13,835,966</u>	<u>11,905,636</u>

**13.2 CONTRACT BALANCES**

There are no outstanding assets and liabilities balances related to contracts with customers presented in the statement of financial position, except for an outstanding balance due from a related party (see note 7).

Trade receivables and balance due from a related party are non-interest bearing and are generally on terms of 30 to 90 days.

**13.3 PERFORMANCE OBLIGATIONS**

Information about the Company's performance obligations are summarised below:

**a) Arranging services**

The Company is acting as an agent in these arrangements. The performance obligation is satisfied and payment is due upon delivery of services to the customer.

**b) Advisory services**

Advisory service contracts include one or more deliverables (being technical advisory reports), each deliverable has been identified as a performance obligation. The transaction price for each performance obligation was allocated in the contracts. Revenue from advisory services is recognized at a point in time, and payment is due upon the completion of each deliverable and transfer of control to the customer.

**c) Service fees - Revenue from transfer pricing**

The Company is providing certain services relating to assisting SG Paris to obtain all information needed on the customers concerned from the business lines and sectors, determining the scope of potential sales efforts, providing the necessary analytical support to some business lines, providing information pertaining to the customer to appropriate units, complying the group file enabling management to assess the customer's industrial strategy and formulate the action plan and defining the customers groups for purpose of commercial follow-up and pertinent analysis of global risk.

The above services are considered as one performance obligation considering the interdependence among the services and the fact that the customer (SG Paris) is considering such services as a whole and not considering each of the above services as a separate performance obligation that has to be fulfilled on its own. Accordingly, revenue is recognized over time in the amount to which the Company has the right to invoice.



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**14 GENERAL AND ADMINISTRATIVE EXPENSES**

	2018 SR	2017 SR
Salaries and employee related expenses	7,153,265	7,021,156
Professional and consulting fees	1,437,777	1,112,649
Travelling	696,009	466,481
Rentals	445,988	424,652
IT related fees	399,880	368,974
Depreciation and amortisation (notes 4 and 5)	328,583	323,734
Board of Directors fees (Note 7.1)	557,638	300,000
Insurance	354,158	288,230
Postage and communication	197,547	162,375
Advertising and public relations	34,068	92,238
Other	941,530	297,835
	<u>12,546,443</u>	<u>10,858,324</u>

**15 OTHER INCOME**

	2018 SR	2017 SR
Special commission income	826,250	399,942
Gain on disposal of property and equipment	-	46,000
	<u>826,250</u>	<u>445,942</u>

**16 DIVIDENDS**

Based on the pre-approval of the General Assembly, the Board of Directors in their meeting held on 5 June 2017, resolved to distribute cash dividends amounting to Saudi Riyals 6,053,505, which were paid to the shareholders during the year ended 31 December 2017.

**17 COMMITMENTS**

The Company has an operating lease for its office premises, which generally have terms of more than one year. Commitments for minimum lease payments in relation to a non-cancellable operating lease are payable as follow:

	2018 SR	2017 SR
Within 1 year	344,500	344,500
Later than 1 year and no later than 5 years	689,000	-
	<u>1,033,500</u>	<u>344,500</u>



**18 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial assets consist of cash and cash equivalents, time deposit, due from a related party, and other current receivables. Financial liabilities consist of accruals and other payables. The fair values of financial assets and financial liabilities approximate their carrying values at the reporting date.

**19 FINANCIAL RISK MANAGEMENT**

The principal financial risks faced by the Company relate to market risk (including foreign currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no significant changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from the previous period.

The Board has overall responsibility for setting the Company's risk management objectives and policies and the Company's finance function assists the Board in discharging its responsibility by designing and operating processes that ensure the effective implementation of the objectives and policies.

The overall objective of the Board is to establish and maintain a risk management framework that ensures the Company's ability to achieve its strategic objectives.

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue and expense are denominated in a foreign currency). The Company did not undertake significant transactions in currencies other than Saudi Riyals, US Dollars and Euros during the year. As Saudi Riyals are pegged to US Dollars, balances in US Dollars are not considered to represent significant currency risk. The Company manages currency risk exposure to Euros by continuously monitoring the currency fluctuations. As at the balance sheet date, the Company's exposure to Euros was not significant.

**Cash flow and fair value interest rate risk**

Cash flow and interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company is not exposed to cash flow interest rate risk on its cash at bank balances as it has no variable interest rate bearing assets or liabilities. The Company is also not exposed to fair value interest rate risk on the time deposit as the fixed rate is close to the current market rate.

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Cash is placed with banks having sound credit ratings. The Company seeks to limit its credit risk with respect to counterparties by setting credit limits for individual counterparties and by monitoring outstanding receivables.

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**19 FINANCIAL RISK MANAGEMENT (continued)**

The table below shows the Company's maximum exposure to credit risk for the components of the statement of financial position:

	<b>31 December 2018 SR</b>	<b>31 December 2017 SR</b>
Timed deposit	<b>46,187,860</b>	-
Cash and cash equivalents	<b>9,120,354</b>	50,984,608
Due from a related party	<b>5,749,693</b>	3,138,395
Other receivables	<b>1,021,348</b>	143,172
	<b>62,079,255</b>	54,266,175

The Company applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for accounts receivable.

As at 31 December 2018 and 2017, the Company has no outstanding accounts receivable balances from third parties. Balance due from a related party (immediate parent) is being settled as per the agreed terms with no prior historical credit loss experience.

***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Company manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis. The Company limits its liquidity risk by ensuring that sufficient funds are available from its shareholders. As at 31 December 2018 and 2017, the Company's accruals and other payables are contractually due within 12 months from the reporting dates.

**20 CAPITAL MANAGEMENT**

The primary objective of the Company's capital management is to maximise the returns to the shareholders. It is the Company's policy to maintain a strong capital base to maintain investors and creditors and to sustain future development of the business.

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the shareholders of the Company.

The minimum paid up capital required as per Article 6 (g) of the Authorized Persons regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia in respect of licensed activities of the Company is SR 2 million.

Management monitors the return on capital and the level of dividends paid to shareholders and seeks to maintain a balance between the higher returns (which could be enhanced by higher levels of borrowing) and the benefit and security provided by a sound capital position.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and its financial needs.

**21 APPROVAL OF FINANCIAL STATEMENTS**

The Board of Directors has approved these financial statements on 21 Rajab 1440H (corresponding to 28 March 2019).