

SMBC ADVISORY SERVICES SAUDI ARABIA LLC
(A Limited Liability Company)
Financial Statements
For the year ended 31 March 2021
Together with the
Independent auditor's report

SMBC ADVISORY SERVICES SAUDI ARABIA LLC
(A Limited Liability Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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KPMG Professional Services

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Headquarters

Commercial Registration No. 1010425494

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

Independent auditor's report

To the shareholder of SMBC Advisory Services Saudi Arabia LLC

Opinion

We have audited the financial statements of SMBC Advisory Services Saudi Arabia LLC ("the Company"), which comprise the statement of financial position as at 31 March 2021, the statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's Articles of Association 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, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of SAR (15,000,000). (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (١٥٠٠٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبين ومراجعين قانونيين"، وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي، المستقلة والمتابعة لكي بي إم جي العالمية المحدودة، شركة لجنائزية محدودة بضمناً. جميع الحقوق محفوظة.



Independent auditor's report

To the shareholder of SMBC Advisory Services Saudi Arabia LLC (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 ISA that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of the Company.

KPMG Professional Services



Hani Hamzah A. Bedairi
License no: 460

Riyadh: 28 June 2021
Corresponding to: 18 Dhul Qa'da 1442H




SMBC ADVISORY SERVICES SAUDI ARABIA LLC
(A Limited Liability Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021
(Amounts in Saudi Arabian Riyals)

	<i>Note</i>	As at 31 March 2021	As at 31 March 2020
ASSETS			
Cash and cash equivalents	4	8,264,298	10,456,740
Accounts receivable		1,011,435	--
Contract assets, net	5	--	6,437,845
Due from related party	11	1,008,952	1,617,160
Other assets	6	394,614	285,208
Intangible assets	7	58,456	97,427
Property and equipment, net	8	7,045,033	8,617,013
TOTAL ASSETS		17,782,788	27,511,393
LIABILITIES AND EQUITY			
Accrued and other payables	9	776,475	2,872,769
Lease liability	12	1,085,836	1,606,295
Due to a related party	11	9,702,920	10,804,338
Total liabilities		11,565,231	15,283,402
Equity			
Share capital	13	18,000,000	18,000,000
Accumulated losses		(11,782,443)	(5,772,009)
Total equity		6,217,557	12,227,991
TOTAL LIABILITIES AND EQUITY		17,782,788	27,511,393

The accompanying notes 1 to 20 form an integral part of these financial statements.

These financial statements were approved by Sumitomo Mitsui Banking Corporation, the Parent Company, on 26 June 2021 and have been subsequently signed on its behalf by the Chief Executive Officer of the Company on 28 June 2021



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Date: 2021.06.28 15:24:49 +03'00'


Tadaaki Sakurai
Chief Executive Officer

SMBC ADVISORY SERVICES SAUDI ARABIA LLC
(A Limited Liability Company)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021
(Amounts in Saudi Arabian Riyals)

	<i>Note</i>	For the year ended 31 March 2021	For the year ended 31 March 2020
Revenues	<i>14</i>	5,205,094	5,478,771
Expenses			
Consultancy and professional fees		(1,007,229)	(677,804)
Salaries and allowances		(1,933,056)	(1,785,375)
Depreciation and amortization	<i>7,8</i>	(1,610,950)	(1,075,106)
Rent and premises related expenses		(41,880)	(367,920)
Finance cost		(37,942)	(52,483)
Provision for impairment	<i>5</i>	(3,131,696)	--
Other general and administrative expenses	<i>15</i>	(3,452,775)	(3,240,542)
Total operating expenses		(11,215,528)	(7,199,230)
Net loss before tax for the year		(6,010,434)	(1,720,459)
Income tax for the year		--	--
Net loss for the year		(6,010,434)	(1,720,459)
Other comprehensive income		--	--
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(6,010,434)	(1,720,459)

The accompanying notes 1 to 20 form an integral part of these financial statements.

These financial statements were approved by Sumitomo Mitsui Banking Corporation, the Parent Company, on 26 June 2021 and have been subsequently signed on its behalf by the Chief Executive Officer of the Company on 28 June 2021



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Tadaaki Sakurai
Chief Executive Officer

SMBC ADVISORY SERVICES SAUDI ARABIA LLC
(A Limited Liability Company)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021
(Amounts in Saudi Arabian Riyals)

	<u>Share capital</u>	<u>Accumulated losses</u>	<u>Total</u>
Balance as at 1 April 2019	3,500,000	(4,051,550)	(551,550)
Increase in share capital	14,500,000	--	14,500,000
Net loss / total comprehensive loss for the year	--	(1,720,459)	(1,720,459)
Balance as at 31 March 2020	<u>18,000,000</u>	<u>(5,772,009)</u>	<u>12,227,991</u>
Balance as at 1 April 2020	18,000,000	(5,772,009)	12,227,991
Net loss / total comprehensive loss for the year	--	(6,010,434)	(6,010,434)
Balance as at 31 March 2021	<u>18,000,000</u>	<u>(11,782,443)</u>	<u>6,217,557</u>

The accompanying notes 1 to 20 form an integral part of these financial statements.

SMBC ADVISORY SERVICES SAUDI ARABIA LLC
(A Limited Liability Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021
(Amounts in Saudi Arabian Riyals)

		For the year ended 31 March 2021	For the year ended 31 March 2020
	<i>Note</i>		
Cash flows from operating activities			
Net loss before tax for the year		(6,010,434)	(1,720,459)
<i>Adjustments to reconcile net loss before tax for the year to net cash generated from operating activities:</i>			
Depreciation and amortization	7,8	1,610,950	1,075,106
Provision for impairment	5	3,131,696	--
Provision for employees' end of services benefits	10	45,222	70,610
Reversal of provision for employees' end of service benefits	10	(42,011)	--
Interest expense on lease		37,942	52,483
		<u>(1,226,635)</u>	<u>(522,260)</u>
<i>Movements in operating assets / liabilities:</i>			
Decrease/ (Increase) in contract assets		3,306,148	(6,437,845)
(Increase) in accounts receivable		(1,011,435)	--
Decrease/ (Increase) in due from a related party	11	608,208	(1,617,160)
(Increase) / Decrease in other Assets		(109,407)	8,419
(Decrease) / Increase in accrued and other payables	9	(2,099,504)	2,678,971
(Decrease) / Increase in due to a related party	11	(1,101,417)	2,152,150
Net cash used in operating activities		<u>(1,634,042)</u>	<u>(3,737,725)</u>
Cash flows from financing activities			
Payment of Lease Liability		(558,400)	(558,400)
Net cash used in financing activities		<u>(558,400)</u>	<u>(558,400)</u>
Net decrease in cash and cash equivalents		(2,192,442)	(4,296,125)
Cash and cash equivalents at the beginning of the year		10,456,740	14,752,865
Cash and cash equivalents at the end of the year		<u>8,264,298</u>	<u>10,456,740</u>
Non-cash supplementary information			
Purchase of Property & Equipment		--	6,275,956
Purchase of intangible assets		--	116,912
Right-of-use asset		1,328,562	1,895,987
Lease liability		1,085,836	1,606,295

The accompanying notes 1 to 20 form an integral part of these financial statements.

SMBC ADVISORY SERVICES SAUDI ARABIA LLC
(A Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

SMBC Advisory Services Saudi Arabia LLC ("the Company") is a limited liability company registered in Riyadh, Kingdom of Saudi Arabia with company no. 7007988251 and commercial registration no. 1010613941 dated 10 Rabi'Al-Thani 1439H (corresponding to 28 December 2017) issued by the Ministry of Commerce. The Company operates under Saudi Arabia General Investment Authority license no. 10213390279311 dated 17 Safar 1439H (corresponding to 6 November 2017). Furthermore, the Company received its Capital Market Authority ("CMA") license no. 30-19198 dated 29 Jumad al Awwal 1440H (corresponding to 4 February 2019) to carry out arranging and advisory services subject to the documentary conditions to be complied by the Company prior to commencement of operations.

On 30 January 2020, the Company received approval from CMA to commence its arranging services. On 9 June 2020, the Company submitted a request for the cancellation of its advisory license which was formally approved on 29 June 2020.

The Company is currently involved in providing arranging services which includes introducing parties in relation to offering of securities, arrangement of its underwriting and advising on corporate finance business. The Company is a wholly owned subsidiary of Sumitomo Mitsui Banking Corporation ("the Parent Company") incorporated in Tokyo, Japan on 19 Muharram 1417H (corresponding to 6 June 1996) under registration no. 0100-01-008813.

The registered address of the Company, which is also its principal place of business, is at 7th Floor, Al Faisaliah Tower, P.O. Box 3333, Riyadh 12212 Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (hereinafter referred to as "IFRS as endorsed in KSA") and in compliance with the provisions of the Regulations for Companies in the Kingdom of Saudi Arabia and the articles of association of the Company.

b) Basis of measurement

The accompanying financial statements have been prepared under the historical cost convention using the accrual basis of accounting and the going concern concept.

During the year ended 31 March 2021, the Company has incurred a net loss of SR 6.01 million and as of 31 March 2021, the Company's accumulated losses of SR 11.78 million exceeded 50% of its share capital of SR 18.00 million due to which Article 181 of the Regulations for Companies became applicable.

Upon becoming aware of the accumulated loss position of the Company, the Company has taken the necessary steps to comply with the requirements of Article 181 of the Regulations for Companies. The Company has notified the Ministry of Commerce, with supporting documentation, to update the commercial register, to publish the necessary announcement with regards to the accumulated losses, along with the shareholder resolution which was passed on 22 Shawwal 1442H (corresponding to 3 June 2021) where the shareholder has resolved to continue the business. The Company expects the necessary announcements by the Ministry of Commerce to be published within the stipulated timeframe as required by the applicable requirements of the Regulations for Companies. The Company plans to file these audited set of financial statements with the Ministry of Commerce to support the steps taken above and intends to comply with additional requirement of disclosing the developments relating to the losses to Ministry of Commerce as per the requirement of Article 181 of the Regulations for Companies.

2. BASIS OF PREPARATION (CONTINUED)

b) Basis of measurement (continued)

Furthermore, the management of the Company has made an assessment of the Company's ability to continue as going concern and is satisfied that the Company has the financial resources to continue its business and generate profits in the foreseeable future. The management also believes that the Company has adequate liquidity to support its business plan and the Parent Company is also committed to providing any financial support to the Company, if required.

As a result of above, the Company continues to adopt the going concern basis in preparing these financial statements.

The financial statement accounts in the statement of financial position have been presented in the order of liquidity.

c) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SAR") which is the company's functional and presentation currency. All amounts presented has been rounded to the nearest SAR.

d) Significant accounting Judgement, estimates and assumptions

The preparation of the Company's financial statements in accordance with IFRS as endorsed in KSA requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities, and the disclosure of contingent liabilities as at the reporting date.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

A. Impact of change in accounting policies due to new standards

New IFRS standards, amendments and interpretations adopted in preparation of these financial statements

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board ("IASB") have been effective from 1 April 2020 and accordingly were adopted by the Company, as applicable:

- Amendments to IFRS 3: Definition of a Business;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendments to References to the Conceptual Framework in IFRS Standards; and
- Amendments to IFRS 9, IAS 39, and IFRS 7: Interest Rate Benchmark Reform – Phase 1

The adoption of the above standards / amendments and interpretations did not have any significant impact on these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Impact of change in accounting policies due to new standards (continued)

Standards issued but not yet effective

The accounting standards, amendments and revisions which have been issued and are effective for the Company's accounting year on or after 1 April 2021 are listed below. Earlier application is permitted; however, the Company has opted not to early adopt these pronouncements.

- COVID -19 – Related Rent Concessions (Amendment to IFRS 16);
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current;
- Onerous Contracts – Cost of Fulfilling a contract (Amendments to IAS 37);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 – Interest Benchmark Reform – Phase 2
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16; and
- Reference to Conceptual Framework (Amendments to IFRS 3)

The management of the Company expects that the application of these new standards and amendments in the future will not have significant impact on the amounts reported.

B. Summary of significant accounting policies

a. Financial instruments

Classification and measurement of financial instruments

Recognition and initial measurement

The Company initially recognises financial assets and financial liabilities on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as commission.

Classification and measurement of financial assets

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

As at 31 March 2021 and 2020, the Company only held debt instruments measured at amortised cost.

Financial asset at amortised cost

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

- the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Financial instruments (continued)

Classification and measurement of financial instruments (continued)

Subsequent measurement

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method and resultant gain or loss is recognized in the statement of comprehensive income. Any gain or loss on de-recognition is also recognized in the statement of comprehensive income. The 'amortized cost' of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method.

Reclassifications

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

Measurement of Expected credit loss ("ECL")

The management recognizes ECL on financial asset measured at amortised cost which is measured as follows:

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

As at 31 March 2021, the Company's financial assets comprised of cash at bank, accounts receivable, due from related parties, and refundable security deposits. These financial assets are mainly recoverable from parties having sound credit rating therefore the impact of ECL has been considered as immaterial.

Financial liabilities

The Company classifies its financial liabilities at amortised cost unless it has designated liabilities at FVTPL. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Derecognition

Financial assets

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of:

- a. the consideration received (including any new asset obtained less any new liability assumed); and
- b. any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

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

Financial liabilities

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Financial instruments (continued)

Offsetting financial instruments

Financial assets and liabilities are offset and reported net in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and when the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are not offset in the statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

b. Revenue from contracts with customers

The Company recognizes revenue when the amount of revenue can be reliably measured, and it is probable that the future economic benefits will flow to the Company. The revenue is recognized when (or as) each performance obligation is satisfied.

Revenue from arranging activities

Revenue from arranging activities is recognised based on services rendered under the applicable service contracts using the five-step approach to revenue recognition.

Revenue from Service Level Agreement ("SLA")

The Company has entered into SLA with Sumitomo Mitsui Banking Corporation – DIFC Branch (a related party) to provide certain services including market research. Revenue from SLA is recognized on accrual basis, based on a cost-plus markup agreement.

c. Cash and cash equivalents

Cash and cash equivalents comprise cash in bank which is available to the Company without any restrictions.

d. Contract assets

A contract asset is initially recognized for revenue earned from arranging services. It primarily relates to the Company's right to consideration for work completed but not billed at the reporting date. Once invoice is issued, the amount recognized as contract assets is reclassified to accounts receivable.

Impairment of contract assets

The Company recognises provision for impairment against contract assets based on the difference between the contractual cashflows due in accordance with the contract and all the cashflows that the Company expects to receive, discounted at an approximation of original effective interest rate.

e. Intangible assets

Intangible assets are initially recognised at cost less accumulated amortization and impairment losses, if any. Costs that are directly associated with identifiable software products controlled by the Company and have probable economic benefits beyond one year are recognised as intangible assets. Costs associated with maintaining computer software are recognised as an expense as and when incurred.

Amortisation is charged to the statement of profit and loss account by applying the straight-line basis over its useful life whereby the carrying amount of an asset is amortised over its estimated useful life to the Company unless such life is indefinite. The estimated useful life of intangible assets (computer software) is 3 years.

The Company accounts for impairment, where indications exist, by reducing the asset's carrying amount to the recoverable amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Property and Equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

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

	<u>Estimated useful lives</u>
Office Equipment	5
Leasehold improvements	10 years

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss when the asset is de-recognised.

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.

g. Leases

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

Right of Use Assets ("ROU")

The Company applies a cost model, and measures right of use asset at cost;

- a) less any accumulated depreciation and any accumulated impairment losses; and
- b) adjusted for any re-measurement of the lease liability for lease modifications.

Lease Liability

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

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

1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

h. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries and bonuses in the year the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

j. Employee end of service benefits

Provision is made for amounts payable under the Saudi Arabian Labour Law applicable to employees' accumulated service at the statement of financial position date. The liability is calculated 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.

k. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be a requirement if settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one of the items included in the same class of obligations may be small.

l. General and administrative expenses

General and administrative expenses are those arising from the Company's operating activities including consultancy and professional fees, salaries and allowances, travel expenses and other administrative expenses and are classified as operating expenses which are recognised as incurred.

m. Income taxes

Taxation is provided in accordance with the regulations issued by the Zakat, Tax and Customs Authority. Income tax expense comprises current and deferred tax, which is recognized in profit or loss.

Current tax

Current tax is the expected tax payable on the taxable income, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred taxation is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

The recognition of deferred tax asset is based on the Company's ability to generate sufficient future taxable profits against which they can be utilized. Recognition of deferred tax asset is reviewed at each reporting date by the management and will be recognised, once sustainable and stable profitability is achieved by the Company.

The Company's unrecognised deferred tax assets, which are primarily arising on accumulated losses, amounted to SAR 2.15 million and SAR 1.10 million as at 31 March 2021 and 2020, respectively.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation, at period end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

4. CASH AND CASH EQUIVALENTS

This represents funds deposited in a local bank, having sound credit rating, that is unrestricted in nature and maintained for operational purpose.

5. CONTRACT ASSETS, NET

	As at 31 March 2021	As at 31 March 2020
Contract assets	3,131,696	6,437,845
Less: Provision for impairment	<u>(3,131,696)</u>	<u>--</u>
	<u><u>--</u></u>	<u><u>6,437,845</u></u>

The Company has provided advisory services to a customer where collection is doubtful. The Company on a prudent basis, has booked a 100% provision on the outstanding balance as of 31 March 2021.

6. OTHER ASSETS

	As at 31 March 2021	As at 31 March 2020
VAT refundable	249,945	181,686
Security Deposit	65,840	66,153
Prepaid expenses	78,829	37,369
	<u><u>394,614</u></u>	<u><u>285,208</u></u>

7. INTANGIBLE ASSETS, NET

	As at 31 March 2021	As at 31 March 2020
Cost		
Balance at the beginning of the year	116,912	--
Additions during the year	--	116,912
Balance at the end of the year	<u><u>116,912</u></u>	<u><u>116,912</u></u>
Accumulated depreciation		
Balance at the beginning of the year	19,485	--
Amortization charge for the year	38,971	19,485
Balance as at the end of the year	<u><u>58,456</u></u>	<u><u>19,485</u></u>
Net book value as at the end of the year	<u><u>58,456</u></u>	<u><u>97,427</u></u>

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8. PROPERTY, PLANT AND EQUIPMENT, NET

	Construction in progress	Leasehold Improvement	Office Equipment	Right of Use Asset	Total
Cost					
Balance as at 1 April 2020	--	4,172,565	3,116,493	2,391,412	9,680,470
Additions during the year	--	--	--	--	--
Balance as at 31 March 2021	--	4,172,565	3,116,493	2,391,412	9,680,470
Accumulated depreciation					
Balance as at 1 April 2020	--	208,628	323,404	531,425	1,063,457
Depreciation for the period	--	417,256	623,299	531,425	1,571,980
Balance as at 31 March 2021	--	625,884	946,703	1,062,850	2,635,437
Net book value as at 31 March 2021	--	3,546,681	2,169,790	1,328,562	7,045,033

	Construction in progress	Leasehold Improvement	Office Equipment	Right of Use Asset	Total
Cost					
Balance as at 1 April 2019	973,922		39,180	--	1,013,102
Additions during the year	--	3,198,643	3,077,313	--	6,275,956
Recognition of asset on initial application of IFRS 16	--	--	--	2,391,412	2,391,412
Transferred to Assets	(973,922)	973,922	--	--	--
Balance as at 31 March 2020	--	4,172,565	3,116,493	2,391,412	9,680,470
Accumulated depreciation					
Balance as at 1 April 2019	--	--	7,836	--	7,836
Depreciation for the year	--	208,628	315,568	531,425	1,055,621
Balance as at 31 March 2020	--	208,628	323,404	531,425	1,063,457
Net book value as at 31 March 2020	--	3,963,937	2,793,089	1,859,987	8,617,013

9. ACCRUED EXPENSES AND OTHER PAYABLES

Accrued and other payables as at 31 March comprise of the following:

	Note	As at 31 March 2021	As at 31 March 2020
Payable to sub-contractor	9.1	--	2,269,670
Accrued consultancy fee		147,296	79,290
Accrued bonus		191,834	213,298
Retention money payable		143,445	143,869
Accrued audit fee		130,000	85,000
Provision for employees end of services benefits	10	76,665	73,454
Other payable		87,235	8,188
		776,475	2,872,769

- 9.1** Payable to sub-contractor represents outstanding obligation to third party consultants in relation to contracts with customers

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10. PROVISION FOR EMPLOYEES END OF SERVICE BENEFITS

	As at 31 March 2021	As at 31 March 2020
Balance at the beginning of the year	73,454	2,844
Current Service Cost	45,222	70,610
Benefits reversed	(42,011)	--
Balance at the end of the year	<u>76,665</u>	<u>73,454</u>

Provision for employees' benefits has been computed as per Saudi Labor Regulations and is not measured under projected unit credit method. The Company believes that the impact of this is immaterial.

During the current year, the Company has booked reversal against provision for end of service benefits relating to resigned employees whose vesting period has not been met as per the Saudi Labor Regulations.

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11. RELATED PARTY TRANSACTIONS

Related parties are considered to be related when these have the ability to exercise control over the Company or to exercise significant influence or joint control over the Company's financial and operating decision. Transactions with related parties, normally, comprise of transfer of resources, services or obligations between the parties.

The Company in the normal course of its activities carried on business with other enterprises that fall within the definition of related parties. Details of related party transactions entered into during the period as follows:

Category / Transaction	Year	Note	Amount of the transaction	Due from related party	Due to Related party	Terms and conditions
Sumitomo Mitsui Banking Corporation (Parent Company)						
• Reimbursement of Various Expenses	2021	a	547,939	-	-	
	2020		489,582	-	-	
SMBC Bank International PLC (entity under Common Control)						
• Reimbursement of Various Expenses	2021	b	173,628	-	-	
	2020		66,099	-	-	
Sumitomo Mitsui Banking Corporation - DIFC Dubai (entity under common control)						
• Recharge of Various operating expense	2021	c	16,513	-	1,783,974	Unsecured and on demand
	2020		454,188	-	1,739,586	Unsecured and on demand
• Payment for purchase of fixed assets	2021	d	-	-	7,366,790	Unsecured and on demand
	2020		6,392,868	-	7,366,790	Unsecured and on demand
• Office Expenses - SLA	2021	e	1,168,364	-	552,156	Unsecured and on demand
	2020		1,697,962	-	1,697,962	Unsecured and on demand
• Revenue - SLA	2021	f	2,661,567	1,008,952	-	Unsecured and on demand
	2020		1,617,160	1,617,160	-	Unsecured and on demand
Total	2021			1,008,952	9,702,920	
Total	2020			1,617,160	10,804,338	

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11. RELATED PARTY TRANSACTIONS (CONTINUED)

- a. Staff related expense paid by the Parent Company during the year and has been reimbursed by the Company during the year.
- b. Operating expenses incurred by the Company which were processed by Sumitomo Mitsui Banking Corporation Bank International PLC and has been reimbursed by the Company during the year.
- c. Operating expenses incurred by the Company are processed by Sumitomo Mitsui Banking Corporation - DIFC Dubai Branch and are recharged to the Company as due to related party for the year.
- d. Payments for purchase of fixed assets acquisition & leasehold improvements are advanced by Sumitomo Mitsui Banking Corporation - DIFC Dubai Branch and are recharged to the company as due to related party for the last year
- e. Sumitomo Mitsui Banking Corporation - DIFC Dubai Branch provides certain services as per Service Level Agreement ('SLA'). These services include support for finance, human resources, IT, compliance, planning, and risk management.
- f. The Company provides marketing support services to Sumitomo Mitsui Banking Corporation – DIFC Dubai Branch in accordance with the SLA.

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

The key management personnel includes the Company's Chief Executive Officer. On 9 January 2021, a new chief executive officer was appointed by the Company. The appointment was approved by the CMA on 1 March 2021.

The following are the key management personnel remuneration and benefits for the year ended 31 March 2021.

	<u>2021</u>	<u>2020</u>
Salaries and other benefits	681,053	693,978
Housing Allowance	352,885	300,000
End of service benefits	3,281	33,771
	<u>1,037,219</u>	<u>1,027,749</u>

12. LEASE LIABILITY

The Company's finance lease liability is payable as follows:

	Future minimum lease payment	Interest	Present value of minimum lease payment
Less than one year	558,400	23,109	535,291
Between one and five years	558,400	7,855	550,545
Total	<u>1,116,800</u>	<u>30,964</u>	<u>1,085,836</u>

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13. EQUITY

Share capital

As at 31 March 2021, the authorized, issued and fully paid share capital of the Company, amounts to SAR 18.00 million divided into 18,000,000 shares of SAR 1.00 each.

Statutory reserve

In accordance with the Regulations for Companies, the Company is committed to forming a statutory reserve by deducting 10% of the annual net profit until it reaches 30% of the capital. This reserve is not available for distribution to the shareholders of the Company. As at 31 March 2021, no such transfer is made as the Company has incurred a loss.

14. REVENUE

Revenue comprise of the following.

	For the year ended 31 March 2021	For the year ended 31 March 2020
Revenue from arranging services	2,543,527	3,861,611
Revenue from SLA	2,661,567	1,617,160
Total for the year	<u>5,205,094</u>	<u>5,478,771</u>

15. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

Other general and administrative expenses as at 31 March comprise of the following:

	For the year ended 31 March 2021	For the year ended 31 March 2020
Office expenses	1,691,247	2,260,840
Staff expense	507,720	449,482
Travel expenses	13,876	156,583
Taxes	738,382	140,445
Memberships	71,760	66,550
Other expenses	429,790	166,642
	<u>3,452,775</u>	<u>3,240,542</u>

Other expenses mainly include expenses relating to car rental, repairs and maintenance of computer equipment, stationery and communication cost.

16. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

The risks are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's going concern and each member of the senior management of the Company is accountable for the risk exposures relating to his or her responsibilities.

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16. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company's maximum exposure to credit risk without taking effect of collateral amounts is as follows:

	<i>Note</i>	As at 31 March 2021	As at 31 March 2020
Cash and cash equivalents		8,264,298	10,456,740
Contract asset	5	3,131,696	6,437,845
Accounts receivable		1,011,435	--
Due from a related party		1,008,952	1,617,160
Security Deposits*		65,840	66,153
		13,482,221	18,577,898

*presented under other assets

Cash and cash Equivalents

The Company kept its operating funds with Riyad Bank, having sound credit rating.

Accounts receivable

The Company's counterparties are exclusively government-related entities and are short term in nature therefore exposed to insignificant credit risk.

Due from related party

These are exposures from Sumitomo Mitsui Banking Corporation – DIFC Dubai Branch which is an affiliate within the Sumitomo Mitsui Financial Group and are exposed to insignificant credit risk

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

Market risk

Special commission rate risk

Special commission rate risk arises from the possibility that the changes in commission rates may affect either fair values or future cash flows of financial instruments. Currently, the Company is not exposed to such risk.

Foreign Currency risk

Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to significant currency risk.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amounts of the financial instruments such as cash and cash equivalents, accounts receivable, security deposits and due to / from related party and other accrued payables approximates their fair value and are categorized under level 3 because of their short-term nature.

There were no transfers between the levels of fair value hierarchies during the year.

18. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

No events have occurred subsequent to the reporting date and before the issuance of these financial statements which requires adjustment to, or disclosure, in these financial statements.

19. COVID 19

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are beginning to experience a second / third wave of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of the Kingdom of Saudi Arabia ("the Government"), however, has managed to successfully control the outbreak to date, owing primarily to the effective measures taken by the Government. The Government has approved a number of vaccines for mass immunization. The drive is in full swing and it is expected that the majority of the population will be vaccinated in the near future.

The Management continues to be cognisant of the challenges that COVID-19 has posed, the teething effects of which may be felt for some time and is closely monitoring its exposures at a granular level. The management is closely assessing the ongoing situation although at this time management is not aware of any factors that are expected to have any potential impact on its financial performance during 2021.

20. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by Sumitomo Mitsui Banking Corporation, the Parent Company, on 26 June 2021 and signed on their behalf by the Chief Executive Officer of the Company.