

KKR SAUDI LIMITED
(A Limited Liability Company)

FINANCIAL STATEMENTS

31 DECEMBER 2016

AUDITORS' REPORT TO THE PARTNERS OF KKR SAUDI LIMITED (A LIMITED LIABILITY COMPANY)

Scope of audit:

We have audited the accompanying balance sheet of KKR Saudi Limited - Limited Liability Company (the "Company") as at 31 December 2016 and the related statements of income, cash flows and changes in partners' equity for the year then ended. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the requirements of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion:

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

- i) Present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) Comply with the requirements of the Regulations for Companies and the Company's articles of association in so far as these affect the preparation and presentation of the financial statements.

for Ernst & Young



Othman M. Alt wajri
Certified Public Accountant
Registration No. 508




Riyadh: 28 Jumad Al Thani 1438H
(27 March 2017)

KKR Saudi Limited – A Limited Liability Company

BALANCE SHEET

As at 31 December 2016

	Notes	2016 SR	2015 SR
ASSETS			
CURRENT ASSETS			
Bank balances		2,993,422	5,019,782
Due from a related party	5	682,191	-
Prepayments and other receivables	3	142,277	126,339
TOTAL ASSETS		3,817,890	5,146,121
LIABILITIES AND PARTNERS' EQUITY			
CURRENT LIABILITIES			
Accrued expenses and other payables	4	268,404	298,087
Due to related parties	5	-	1,790,833
Provision for income tax	6	101,750	101,219
TOTAL CURRENT LIABILITIES		370,154	2,190,139
NON-CURRENT LIABILITY			
Employees' terminal benefits		211,357	260,891
TOTAL LIABILITIES		581,511	2,451,030
PARTNERS' EQUITY			
Capital	7	2,000,000	2,000,000
Statutory reserve	8	123,638	69,509
Retained earnings		1,112,741	625,582
TOTAL PARTNERS' EQUITY		3,236,379	2,695,091
TOTAL LIABILITY AND PARTNERS' EQUITY		3,817,890	5,146,121


27 March 2017


The attached notes 1 to 11 form part of these financial statements

KKR Saudi Limited – A Limited Liability Company

STATEMENT OF INCOME

For the year ended 31 December 2016

	Notes	2016 SR	2015 SR
INCOME			
Advisory revenue	5	7,214,082	6,668,661
EXPENSES			
Employees' salaries and related benefits	9	(4,045,431)	(4,252,696)
Rent		(778,800)	(761,960)
Professional fees		(666,333)	(370,718)
Travel expenses		(394,317)	(233,593)
Subscription fees		(151,142)	(159,020)
Utilities		(107,738)	(113,561)
Others		(427,283)	(258,534)
TOTAL EXPENSES		(6,571,044)	(6,150,082)
INCOME BEFORE TAX		643,038	518,579
Income tax	6	(101,750)	(101,219)
NET INCOME FOR THE YEAR		541,288	417,360


27 March 2017


The attached notes 1 to 11 form part of these financial statements

KKR Saudi Limited – A Limited Liability Company

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 SR	2015 SR
OPERATING ACTIVITIES			
Income before tax		643,038	518,579
Adjustments for:			
Provision for employees' terminal benefits		90,453	105,512
Operating cash flows before working capital changes		733,491	624,091
Changes in operating assets and liabilities:			
Prepayments and other receivables		(15,938)	(47,402)
Accrued expenses and other payables		(29,683)	50,705
Due from related parties, net		(2,473,024)	471,346
Net cash (used in) / from operations		(1,785,154)	1,098,740
Income tax paid	6	(101,219)	(113,476)
Employees' terminal benefits paid		(139,987)	-
Net cash (used in) / from operating activities		(2,026,360)	985,264
(DECREASE) / INCREASE IN BANK BALANCES		(2,026,360)	985,264
Bank balances at beginning of the year		5,019,782	4,034,518
BANK BALANCES AT END OF THE YEAR		2,993,422	5,019,782


27 March 2017

The attached notes 1 to 11 form part of these financial statements

KKR Saudi Limited – A Limited Liability Company
STATEMENT OF CHANGES IN PARTNERS' EQUITY
 At 31 December 2016

	<i>Capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
Balance at 31 December 2014	2,000,000	27,773	249,958	2,277,731
Net income for the year	-	-	417,360	417,360
Transfer to the statutory reserve (note 8)	-	41,736	(41,736)	-
Balance at 31 December 2015	2,000,000	69,509	625,582	2,695,091
Net income for the year	-	-	541,288	541,288
Transfer to the statutory reserve (note 8)	-	54,129	(54,129)	-
Balance at 31 December 2016	2,000,000	123,638	1,112,741	3,236,379


 27 March 2017

KKR Saudi Limited – A Limited Liability Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

1 ACTIVITIES

KKR Saudi Limited (the "Company") is a Limited Liability Company registered with the Capital Market Authority ("CMA") under license number 11154-10 dated 24 Rajab 1432H (corresponding to 26 June 2011).

The Company operates in the Kingdom of Saudi Arabia under commercial registration number 1010340484 dated 9 Rajab 1433H (corresponding to 30 May 2012).

The objective of the Company is to perform the arrangement of financial securities activities in accordance with the license from the Saudi Arabian General Investment Authority number 2832119956 dated 21 Dhul-Qadah 1432H (corresponding to 19 October 2011).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia issued by the Saudi Organization of Certified Public Accountants. The significant accounting policies adopted by the Company are as follows:

Accounting convention

The financial statements are prepared under the historical cost convention.

Use of estimates

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

Cash and cash equivalents

For the purpose of cash flows statement preparation, cash and cash equivalents consist of bank balances.

Accounts receivable

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

Accrued expenses and other payables

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

Provisions

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

Employees' terminal benefits

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

Statutory reserve

As required by the Saudi Arabian Regulations for Companies, 10% of the net income for the year (after deducting losses brought forward) must be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the capital. The reserve is not available for distribution.

Revenue

Revenue from services is recognised when services are performed in accordance with the contract terms.

KKR Saudi Limited – A Limited Liability Company
NOTES TO THE FINANCIAL STATEMENTS (continued)
 At 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating lease

Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

Expenses

Expenses principally comprise of costs incurred in the operation of the Company.

Income tax

The Company is subject to income tax in accordance with the Regulations of the General Authority of Zakat and Tax (“GAZT”) as applicable in the Kingdom of Saudi Arabia. Income tax is calculated based on adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Foreign currencies transactions

Transactions in foreign currencies are recorded in Saudi Riyals at the rates prevailing 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 gains and losses are taken to the statement of income.

3 PREPAYMENTS AND OTHER RECEIVABLES

	2016 SR	2015 SR
Rent security deposit	75,110	75,110
Prepaid expenses	67,167	51,229
	<u>142,277</u>	<u>126,339</u>

4 ACCRUED EXPENSES AND OTHER PAYABLES

	2016 SR	2015 SR
Accrued professional fees	214,881	251,045
Withholding tax payable	25,004	17,723
Accrued travel expenses	14,920	1,000
Accrued GOSI charges	5,925	23,400
Others	7,674	4,919
	<u>268,404</u>	<u>298,087</u>

KKR Saudi Limited – A Limited Liability Company

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2016

5 RELATED PARTY TRANSACTIONS AND BALANCES

The following represents the significant transactions with related parties during the year:

<i>Related party</i>	<i>Nature of transactions</i>	2016 SR	2015 SR
Partner			
Kohlberg Kravis Roberts & Co. L.P.	Expenses charged	238,708	142,917
	Revenue (see note below)*	7,214,082	6,668,661
	Cash transfers	4,600,000	7,000,000
Affiliate			
Kohlberg Kravis Roberts & Co. Partners LLP	Expenses charged	342,426	2,047,772
	Cash transfers	440,076	2,050,682

* During 2016, the Company amended its agreement with Kohlberg Kravis Roberts & Co. L.P., a partner, where by the Company will provide assistance to Kohlberg Kravis Roberts & Co. L.P in performing their advisory services. In return the Company is entitled to receive advisory revenue, as calculated based on agreed terms, based on certain costs incurred plus an amount equal to 10% of such costs with the exception of employee incentives which are charged back at cost (i.e. no markup).

Amount due from the partner at the year-end is as follows:

	2016 SR	2015 SR
Partner		
Kohlberg Kravis Roberts & Co. L.P. (see note below)**	682,191	-

**Amount due from the partner is in the normal course of the business.

Amount due to related parties at the year-end are as follows:

	2016 SR	2015 SR
Partner		
Kohlberg Kravis Roberts & Co. L.P.	-	1,693,183
Affiliate		
Kohlberg Kravis Roberts & Co. Partners LLP	-	97,650
	-	1,790,833

6 PROVISION FOR INCOME TAX

The Company is owned by Non-Saudi partners, and hence is subject to income tax (on Non-Saudi partner). The income tax liability has been calculated on the basis of the Income Tax Law issued by the General Authority of Zakat and Tax ("GAZT").

The income tax charge is calculated as follows:

	2016 SR	2015 SR
Taxable income	508,748	506,095
Income tax for the year at 20%	101,750	101,219

KKR Saudi Limited – A Limited Liability Company
NOTES TO THE FINANCIAL STATEMENTS (continued)
 At 31 December 2016

6 PROVISION FOR INCOME TAX (continued)

The movement in the provision for income tax for the year is as follows:

	2016	2015
	SR	SR
Balance at beginning of the year	101,219	113,476
Provision during the year	101,750	101,219
Payments during the year	(101,219)	(113,476)
Balance at end of the year	101,750	101,219

The Company has submitted its income tax returns up to 31 December 2015. No assessments have yet been raised by the General Authority of Zakat and Tax ("GAZT").

7 CAPITAL

Capital is called up, allotted and fully paid consisting of 20,000 shares (2015: 20,000 shares) of SR 100 each

	<i>Ownership percentage</i>	<i>Number of shares</i>	<i>Capital SR</i>
KKR Mena Holdings LLC	99.9%	19,980	1,998,000
Kohlberg Kravis Roberts & Co. L.P.	0.1%	20	2,000
	100%	20,000	2,000,000

8 STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve to which it appropriates 10% of net income until the reserve would equal 50% of the capital. This reserve is not available for dividend distribution.

9 EMPLOYEES' SALARIES AND RELATED EXPENSES

	2016	2015
	SR	SR
Gross salaries	2,259,021	2,531,540
Bonus	975,030	938,028
Medical insurance	141,526	169,809
Employee incentives (see note below)	140,669	406,407
Employees' terminal benefits	90,453	105,512
GOSI charges	71,101	86,400
Others	367,631	15,000
	4,045,431	4,252,696

This amount represents an employee equity incentive plan cost whereby the employees of the Company are awarded ownership interests in Kohlberg Kravis Roberts & Co. L.P.'s common shares which vest over a period of up to five years from the date of the grant. During the year, the Company recorded an expense of SR 140,669 (2015: SR 406,407) against this employee equity incentive plan.

10 RISK MANAGEMENT

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to meet an obligation and cause the other party to incur a financial loss. Financial assets, which are potentially subject to concentration of credit risk, consist principally of cash at bank. The Company's cash is held with a bank of repute and hence the credit risk is limited.

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 sell a financial asset quickly at an amount close to its fair value. Liquidity risk is closely monitored by performing a regular review of available funds along with present and future commitments. Liquidity risk is also minimised as the Company is able to obtain funding from the partner, Kohlberg Kravis Roberts & Co. L.P.

Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals and US Dollars. Management monitors the fluctuations in currency exchange rates and believes that the Company is not exposed to significant foreign exchange risk.

11 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

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 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 by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Financial instruments comprise financial assets and financial liabilities. The Company's financial assets consist of bank balances, amounts due from related parties and other receivables. The Company's financial liabilities consist of accrued expenses and other payables.

The fair values of financial instruments at the reporting date are not different from their carrying values.