

CG POWER SOLUTIONS SAUDI ARABIA
(A limited liability company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
AND INDEPENDENT AUDITOR'S REPORT

CG POWER SOLUTIONS SAUDI ARABIA
(A limited liability company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Page
Independent auditor's report	2 - 4
Balance sheet	5
Statement of income	6
Statement of cash flows	7
Statement of changes in shareholders' (deficiency) equity	8
Notes to the financial statements	9 - 16



Independent auditor's report to the shareholders of CG Power Solutions Saudi Arabia

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CG Power Solutions Saudi Arabia (the "Company") as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at December 31, 2017;
- the statement of income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in shareholders' (deficiency) equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional 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.

Emphasis of matter

We draw attention to Note 1 to the accompanying financial statements, which refers that the Company's shareholders have resolved during 2017 to liquidate the Company. Management has accordingly prepared the accompanying financial statements under the liquidation basis of accounting. Our opinion is not modified in respect of this matter.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and the applicable requirements of the Regulations for Companies and the 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.



Independent auditor's report to the shareholders of CG Power Solutions Saudi Arabia (continued)

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.

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 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, 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.
- 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 CG Power Solutions Saudi Arabia (continued)

We communicate with management 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.

PricewaterhouseCoopers

Ali H. Al Basri
License Number 409

March 21, 2018



CG POWER SOLUTIONS SAUDI ARABIA
(A limited liability company)
Balance sheet
(All amounts in Saudi Riyals unless otherwise stated)

		As at December 31,	
	Note	2017	2016
Assets			
Current assets			
Cash and cash equivalents	4	56,281	223,599
Accounts receivable	5	5,084,180	15,915,029
Prepayments and other receivable		13,873	87,775
Property and equipment	6	467,199	-
		5,621,533	16,226,403
Non-current assets			
Property and equipment	6	-	617,199
		5,621,533	16,843,602
Liabilities			
Current liabilities			
Short-term murabaha borrowings	7	3,890,000	3,890,000
Accounts payable	8	3,692,096	11,701,438
Accrued expenses		112,531	260,231
Zakat payable	9	50,000	51,975
		7,744,627	15,903,644
Non-current liabilities			
Employee termination benefits	10,11	-	280,818
		7,744,627	16,184,462
Shareholders' (deficiency) equity			
Share capital	12	11,250,000	11,250,000
Accumulated deficit	1	(13,373,094)	(10,590,860)
Total shareholders' (deficiency) equity	1	(2,123,094)	659,140
		5,621,533	16,843,602
Contingencies			
	16		

The accompanying notes from 1 to 16 form an integral part of these financial statements.

CG POWER SOLUTIONS SAUDI ARABIA
(A limited liability company)
Statement of income
(All amounts in Saudi Riyals unless otherwise stated)

		<u>Year ended December 31,</u>	
	Note	2017	2016
Revenues	11	1,730,125	16,257,351
Cost of revenues	11	<u>(3,489,845)</u>	<u>(16,433,900)</u>
Gross loss		(1,759,720)	(176,549)
General and administrative expenses	14	<u>(855,002)</u>	<u>(2,968,037)</u>
Loss from operations		(2,614,722)	(3,144,586)
Financial charges	7	<u>(117,512)</u>	<u>(146,784)</u>
Net loss for the year		<u>(2,732,234)</u>	<u>(3,291,370)</u>

The accompanying notes from 1 to 16 form an integral part of these financial statements.

CG POWER SOLUTIONS SAUDI ARABIA
(A limited liability company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2017	2016
Cash flows from operating activities			
Net loss for the year		(2,732,234)	(3,291,370)
<u>Adjustment for a non-cash item</u>			
Depreciation	6	150,000	149,999
<u>Changes in working capital</u>			
Accounts receivable		10,830,849	(11,709,861)
Prepayments and other receivable		73,902	48,338
Accounts payable		(8,289,699)	11,330,128
Accrued and other liabilities		(147,700)	(241,489)
Employee termination benefits		(461)	(45,137)
Net cash utilized in operating activities		(115,343)	(3,759,392)
Cash flows from financing activities			
Movement in short-term murabaha borrowings		-	40,000
Zakat paid	9	(51,975)	(44,166)
Net cash utilized in financing activities		(51,975)	(4,166)
Net decrease in cash and cash equivalents		(167,318)	(3,763,558)
Cash and cash equivalents at beginning of year		223,599	3,987,157
Cash and cash equivalents at end of year	4	56,281	223,599
Supplemental cash flow information:			
<u>Non-cash financing activity -</u>			
Provision for zakat charged to shareholders' (deficiency) equity	9	50,000	51,975
Transfer of employee termination benefits to a related party	10	280,357	-

The accompanying notes from 1 to 16 form an integral part of these financial statements.

CG POWER SOLUTIONS SAUDI ARABIA
(A limited liability company)
Statement of changes in shareholders' (deficiency) equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Accumulated deficit	Total
January 1, 2017		11,250,000	(10,590,860)	659,140
Net loss for the year		-	(2,732,234)	(2,732,234)
Zakat	9	-	(50,000)	(50,000)
December 31, 2017		11,250,000	(13,373,094)	(2,123,094)
January 1, 2016		11,250,000	(7,247,515)	4,002,485
Net loss for the year		-	(3,291,370)	(3,291,370)
Zakat	9	-	(51,975)	(51,975)
December 31, 2016		11,250,000	(10,590,860)	659,140

The accompanying notes from 1 to 16 form an integral part of these financial statements.

CG POWER SOLUTIONS SAUDI ARABIA
(A limited liability company)
Notes to the financial statements for the year ended December 31, 2017
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

CG Power Solutions Saudi Arabia (the "Company") is engaged in management and construction services for high and medium voltage substation and transmission distributions projects, preparing detailed engineering designs, procurement, installation, maintenance and operation of equipment for power projects and substations and providing related technical support.

The Company is a limited liability company licensed under foreign investment license number 122031118997 dated 18 Shawal 1431 H (September 27, 2010) issued by the Saudi Arabian General Investment Authority and operating under commercial registration number 2050073251 issued in Dammam on 21 Dhu al Hijjah 1431 H (November 27, 2010). The registered address of the Company is P.O. Box 2389, Dammam 31451, Kingdom of Saudi Arabia.

During 2017, the shareholders of the Company resolved to discontinue the operations and liquidate the Company. The Company is in process of appointing a liquidator to initiate the liquidation formalities after completion of its existing commitments. Accordingly, the accompanying financial statements have been prepared under the liquidation basis of accounting, whereby all assets are stated at lower of cost or their net realizable values and liabilities at their expected settlement amounts.

The accompanying financial statements were authorized for issue by the Company's management on March 21, 2018.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented.

2.1 Basis of preparation

The accompanying financial statements have been prepared under liquidation basis of accounting, presenting the assets at lower of cost or their net realizable values and liabilities at their expected settlement amounts. Management believes that no material gains or losses are expected upon realization of assets and settlement of the liabilities as at December 31, 2017 and 2016.

2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting standards requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments 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. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

2.3 Foreign currency translations

(a) Reporting currency

These financial statements are presented in Saudi Riyals, which is the reporting currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income. The net amounts of foreign exchange gains and losses were not significant for the year ended December 31, 2017 and 2016.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date.

CG POWER SOLUTIONS SAUDI ARABIA
(A limited liability company)
Notes to the financial statements for the year ended December 31, 2017
(All amounts in Saudi Riyals unless otherwise stated)

2.5 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the statement of income and reported under "General and administrative expenses". When an account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the statement of income.

2.6 Property and equipment

Property and equipment are carried at cost less accumulated depreciation, except construction-in-progress which is stated at cost. Depreciation is charged to the statement of income, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

	Number of years
• Machinery	12.5
• Furniture, fixtures and office equipment	5

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the statement of income.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of income as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

Property and equipment 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 carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset 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 assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of income.

2.7 Borrowings

Borrowings are recognized at the proceeds received net of transaction cost incurred. Borrowings are subsequently carried at amortized cost. Any differences between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period using effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets until such time as the assets are ready for their intended use. Other borrowing costs are charged to the statement of income.

2.8 Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

CG POWER SOLUTIONS SAUDI ARABIA

(A limited liability company)

Notes to the financial statements for the year ended December 31, 2017

(All amounts in Saudi Riyals unless otherwise stated)

2.9 Zakat and taxes

In accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"), the Company is subject to zakat attributable to the Saudi shareholder and income tax attributable to the foreign shareholder. Provisions for zakat and income tax are charged to the shareholders' equity. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Deferred income tax on all major temporary differences between financial income and taxable income are recognized during the period in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax assets on carry forward losses are recognized to the extent that it is probable that future taxable income will be available against which such carry forward tax losses will be adjusted. Deferred income tax are determined using tax rates which have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The Company also withholds taxes on transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

2.10 Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and charged to the statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

2.11 Revenues

Revenues are recognized upon performance of services to the customers.

2.12 General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of revenues as required under generally accepted accounting standards. Allocations between general and administrative expenses and cost of revenues, when required, are made on a consistent basis.

2.13 Operating leases

Rental expense under operating leases is charged to the statement of income over the period of the respective lease.

3 Financial instruments and risk management

Financial instruments carried on the balance sheet include cash and cash equivalents, accounts and other receivable, short-term murabaha borrowings, accounts payable and accrued and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts are reported in the financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

3.1 Currency 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 United States dollars. As the Saudi Riyal is pegged to the United States dollar, management believes that currency risk to the Company is not significant.

CG POWER SOLUTIONS SAUDI ARABIA**(A limited liability company)****Notes to the financial statements for the year ended December 31, 2017**

(All amounts in Saudi Riyals unless otherwise stated)

3.2 Fair value and cash flow interest rate risks

Fair value and cash flow interest rate risks are the exposure 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's interest rate risks arise mainly from its short-term murabaha borrowings which are at floating rate of interest and are subject to re-pricing on a regular basis. Management monitors the changes in interest rates and believes that fair value and cash flow interest rate risks to the Company are not significant.

3.3 Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company's financial instruments are not exposed to price risk.

3.4 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. At December 31, 2017, 96% of trade accounts receivable were due from one customer (2016: 99% from one customer). Management believes that this concentration of credit risk is mitigated as the customer has established track record of regular and timely payments. Cash is placed with banks with sound credit ratings.

3.5 Liquidity risk

Liquidity risk is the risk that an enterprise 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 managed by monitoring on a regular basis that sufficient funds are available, as well as obtaining financials support from shareholders, to meet the Company's obligation as they become due. Also see Note 1.

3.6 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Company's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

4 Cash and cash equivalents

	2017	2016
Cash in hand	10,000	10,000
Cash at bank	46,281	213,599
	<u>56,281</u>	<u>223,599</u>

5 Accounts receivable

	Note	2017	2016
Trade		3,661,566	12,299,336
Related party	11	1,422,614	3,615,693
		<u>5,084,180</u>	<u>15,915,029</u>

CG POWER SOLUTIONS SAUDI ARABIA
(A limited liability company)
Notes to the financial statements for the year ended December 31, 2017
(All amounts in Saudi Riyals unless otherwise stated)

6 Property and equipment

	January 1, 2017	Additions	Transfers	December 31, 2017
2017				
Cost				
Machinery	670,325	-	-	670,325
Furniture, fixtures and office equipment	481,866	-	-	481,866
	<u>1,152,191</u>	-	-	<u>1,152,191</u>
Accumulated depreciation				
Machinery	(173,462)	(53,625)	-	(227,087)
Furniture, fixtures and office equipment	(361,530)	(96,375)	-	(457,905)
	<u>(534,992)</u>	<u>(150,000)</u>	-	<u>(684,992)</u>
	<u>617,199</u>			<u>467,199</u>
	January 1, 2016	Additions	Transfers	December 31, 2016
2016				
Cost				
Machinery	670,325	-	-	670,325
Furniture, fixtures and office equipment	481,866	-	-	481,866
	<u>1,152,191</u>	-	-	<u>1,152,191</u>
Accumulated depreciation				
Machinery	(119,837)	(53,625)	-	(173,462)
Furniture, fixtures and office equipment	(265,156)	(96,374)	-	(361,530)
	<u>(384,993)</u>	<u>(149,999)</u>	-	<u>(534,992)</u>
	<u>767,198</u>			<u>617,199</u>

7 Short-term murabaha borrowings

These represent short-term murabaha borrowings at December 31, 2017 and 2016 obtained from commercial banks and bear financial charges at prevailing market rates which are based on Saudi inter-bank offer rate. These borrowings are denominated in Saudi Riyals.

8 Accounts payable

	Note	2017	2016
Trade		7,525	188,395
Related parties	11	<u>3,684,571</u>	<u>11,513,043</u>
		<u>3,692,096</u>	<u>11,701,438</u>

CG POWER SOLUTIONS SAUDI ARABIA
(A limited liability company)
Notes to the financial statements for the year ended December 31, 2017
(All amounts in Saudi Riyals unless otherwise stated)

9 Zakat and income tax matters

9.1 Components of approximate zakat base

	Note	2017	2016
Shareholders' equity at beginning of year		659,140	4,002,485
Provisions at beginning of year	10	280,818	325,955
Short-term murabaha borrowings, as adjusted		3,890,000	3,850,000
Adjusted net loss for the year		(2,975,210)	(3,176,480)
Property and equipment, as adjusted		(467,199)	(448,627)
Other		-	(178,739)
Approximate zakat base		<u>1,387,549</u>	<u>4,374,594</u>

Zakat is payable at 2.5 percent of the higher of the approximate zakat base and adjusted net income attributable to the Saudi shareholder.

9.2 Provision for zakat and income tax

	Zakat	Income tax	Total
January 1, 2017	51,975	-	51,975
Provisions	50,000	-	50,000
Payments	(51,975)	-	(51,975)
December 31, 2017	<u>50,000</u>	<u>-</u>	<u>50,000</u>
	Zakat	Income tax	Total
January 1, 2016	44,166	-	44,166
Provisions	51,975	-	51,975
Payments	(44,166)	-	(44,166)
December 31, 2016	<u>51,975</u>	<u>-</u>	<u>51,975</u>

Income tax is payable at 20 percent of adjusted net income attributable to the foreign shareholder. No provision for income tax has been made for 2017 and 2016 due to net loss for such years.

9.3 Temporary differences

	2017	2016
Net loss for the year	(2,732,234)	(3,291,370)
Temporary differences	(242,976)	114,890
Adjusted net loss for the year	<u>(2,975,210)</u>	<u>(3,176,480)</u>

The Company has not recognized deferred income tax asset arising out of temporary differences and carry forward losses considering the uncertainty surrounding the realization of such asset in the near future.

9.4 Status of certificates and final assessments

The Company has obtained zakat and income tax certificates from the GAZT for the years through 2016. The income tax and zakat assessments for the years from 2010 through 2016 are currently under review by the GAZT.

CG POWER SOLUTIONS SAUDI ARABIA
(A limited liability company)
Notes to the financial statements for the year ended December 31, 2017
 (All amounts in Saudi Riyals unless otherwise stated)

10 Employee termination benefits

	2017	2016
January 1	280,818	325,955
Transfer to a related party / provision	(280,357)	91,884
Payments	(461)	(137,021)
December 31	<u>-</u>	<u>280,818</u>

11 Related party matters

The Company has transactions with its shareholders and their affiliated entities (collectively the "related parties").

11.1 Related party transactions

Significant transactions with related parties included in the financial statements are summarized below:

	2017	2016
Revenues	-	2,845,000
Purchases	733,448	-
Costs charged by related parties	-	14,049,048
Employee termination benefits transferred to a related party	280,357	-

11.2 Related party balances

(i) Due from a related party

Due from a related party at December 31, 2017 and 2016 represents amounts due from Saudi Power Transformers Company.

(ii) Due to related parties

	2017	2016
CG Power Systems Belgium N.V.	3,297,836	11,347,766
Saudi Transformers Company Limited	173,152	153,221
Wahah Electric Supply Company of Saudi Arabia Limited	213,583	12,056
	<u>3,684,571</u>	<u>11,513,043</u>

12 Share capital

The share capital of the Company as of December 31 was comprised of 1,125,000 shares stated at Saudi Riyals 10 per share owned as follows:

Shareholder	Country of incorporation	Shareholding percentage	
		2017	2016
CG Holdings Belgium N.V.	Belgium	51	51
Electrical Industries Company	Kingdom of Saudi Arabia	49	49
		<u>100</u>	<u>100</u>

CG POWER SOLUTIONS SAUDI ARABIA**(A limited liability company)****Notes to the financial statements for the year ended December 31, 2017**

(All amounts in Saudi Riyals unless otherwise stated)

13 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income for the period, after adjusting its accumulated deficit, to a statutory reserve until such reserve equals at least 30% of the share capital. No such transfers were made during the years ended December 31, 2017 and 2016 due to accumulated deficit for such years.

14 General and administrative expenses

	2017	2016
Salaries and benefits	607,167	2,749,538
Rent and utilities	2,932	47,540
Subscriptions	93,302	31,292
Other	151,601	139,667
	<u>855,002</u>	<u>2,968,037</u>

15 Operating leases

The Company has an operating lease for its office space which has a term of one year. Rental expense for the year ended December 31, 2017 amounted to Saudi Riyals 0.1 million (2016: Saudi Riyals 0.1 million). There were no significant committed lease rentals outstanding at December 31, 2017.

16 Contingencies

At December 31, 2017, the Company was contingently liable for bank guarantees and letters of credit issued in the normal course of business amounting to Saudi Riyals 0.6 million (2016: Saudi Riyals 1.1 million).