

Mizuho Saudi Arabia Company
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS

31 DECEMBER 2009

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
MIZUHO SAUDI ARABIA COMPANY (SAUDI JOINT STOCK COMPANY)**

Audit Scope

We have audited the accompanying balance sheet of Mizuho Saudi Arabia Company - a Saudi Joint Stock Company (the "Company") as at 31 December 2009 and the related statements of income, cash flows and changes in shareholders' equity for the period then ended. These financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion

In our opinion, the financial statements taken as a whole present fairly, in all material respects, the financial position of the Company as at 31 December 2009 and the results of its operations and its cash flows for the period then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For Ernst & Young



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



Riyadh: 6 Rabi Awal 1431H
(20 February 2010)

Mizuho Saudi Arabia Company
(Saudi Joint Stock Company)

BALANCE SHEET

At 31 December 2009

	<i>Note</i>	2009 SR
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	4	74,679,504
Prepayments and other receivables	5	1,804,644
TOTAL CURRENT ASSETS		<u>76,484,148</u>
NON CURRENT ASSETS		
Property and equipment	6	3,783,535
TOTAL ASSETS		<u>80,267,683</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Accruals		19,393
Due to related party	7	10,961,247
TOTAL CURRENT LIABILITIES		<u>10,980,640</u>
NON CURRENT LIABILITY		
Employees' terminal benefits		80,980
TOTAL LIABILITIES		<u>11,061,620</u>
SHAREHOLDERS' EQUITY		
Share capital	9	75,000,000
Accumulated losses		(5,793,937)
TOTAL SHAREHOLDERS' EQUITY		<u>69,206,063</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>80,267,683</u>

The attached notes 1 to 15 form part of these financial statements.

Mizuho Saudi Arabia Company
(Saudi Joint Stock Company)

STATEMENT OF INCOME

For the period ended 31 December 2009

	<i>Note</i>	<i>For the period from 15 February 2009 to 31 December 2009</i>
		<i>SR</i>
INCOME		
Special commission income		<u>259,019</u>
EXPENSES		
Salaries and other benefits		(2,844,560)
Professional fees		(1,566,778)
Rent		(763,560)
Depreciation		(118,449)
Unrealised foreign exchange loss		(241,305)
Other expenses		(954,480)
Total expenses		<u>(6,489,132)</u>
LOSS FROM MAIN OPERATIONS		<u>(6,230,113)</u>
Pre-operating income, net	11	<u>436,176</u>
NET LOSS FOR THE PERIOD		<u><u>(5,793,937)</u></u>
Loss per share		
Attributable to loss from main operations		<u>(0.83)</u>
Attributable to net loss for the period		<u><u>(0.77)</u></u>

The attached notes 1 to 15 form part of these financial statements.

Mizuho Saudi Arabia Company
(Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS

For the period ended 31 December 2009

	<i>Note</i>	<i>For the period from 15 February 2009 to 31 December 2009</i>
		SR
OPERATING ACTIVITIES		
Net loss for the period		(5,793,937)
Adjustments for:		
Depreciation		118,449
Employees' terminal benefits, net		80,980
Unrealised foreign exchange loss		241,305
		<u>(5,353,203)</u>
Changes in operating assets and liabilities:		
Prepayments and other receivables		(1,804,644)
Accruals		19,393
Due to related party		10,719,942
		<u>3,581,488</u>
Net cash from operating activities		
INVESTING ACTIVITIES		
Purchase of property and equipment		(3,901,984)
		<u>(3,901,984)</u>
Net cash used in investing activities		
FINANCING ACTIVITIES		
Issue of share capital		75,000,000
		<u>75,000,000</u>
Net cash from financing activities		
INCREASE IN CASH AND CASH EQUIVALENTS		74,679,504
Cash and cash equivalents at the beginning of the period		-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	<u>74,679,504</u>

The attached notes 1 to 15 form part of these financial statements.

Mizuho Saudi Arabia Company
(Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period ended 31 December 2009

	<i>Share capital SR</i>	<i>Accumulated losses SR</i>	<i>Total SR</i>
Issue of share capital	75,000,000	-	75,000,000
Net loss for the period	-	(5,793,937)	(5,793,937)
Balance at 31 December 2009	<u>75,000,000</u>	<u>(5,793,937)</u>	<u>69,206,063</u>

The attached notes 1 to 15 form part of these financial statements.

Mizuho Saudi Arabia Company
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

1 ACTIVITIES

Mizuho Saudi Arabia Company, (the Company) is a Saudi joint stock company registered with the Capital Market Authority (CMA) under license numbered 08122-37 dated 7 Dhul Qadah 1429H (corresponding to 5 November 2008). It operates in the Kingdom of Saudi Arabia under commercial registration number 1010263572 dated 6 Rabi Awal 1430H (corresponding to 3 March 2009). Further the company has also obtained a license number 1398/1 dated 23 Dhul Hijjah 1429H (corresponding to 21 December 2008) from the Saudi Arabian General Investment Authority. The objectives of the company are to act as principal agent and to carry out underwriting activities relating to dealing, managing, brokerage, advisory and custodial services.

In accordance with its bylaws, the first financial period of the company shall start from the date of the Ministerial Resolution declaring the incorporation of the Company on 15 February 2009 to 31 December 2010. However, the shareholders have decided to prepare these financial statements for the period from 15 February 2009 to 31 December 2009 for management purposes.

The company commenced its commercial operations on 2 November 2009.

2 BASIS OF PRESENTATION

These financial statements cover the period from 15 February 2009 (the date of the Ministerial Resolution declaring the incorporation of the Company) to 31 December 2009. The Company has incurred pre-operating expenses and earned pre-operating income on its deposits. These are accounted as pre-operating income, net (note 11) and are included in the statement of income.

3 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

The financial statements are prepared under the historical cost convention.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on property and equipment on a straight line basis over the estimated useful lives of the assets.

Expenditure on repairs and maintenance are charged to the statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

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.

Income tax

Income tax is provided for in accordance with Saudi Arabian fiscal regulations. The provision is charged to the statement of changes in shareholders' equity.

Provisions

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

Employees' terminal benefits

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

Mizuho Saudi Arabia Company
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2009

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Special commission income

Special commission income is accrued on an effective yield basis.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents consists of cash and bank balances and short term deposits with original maturity of three months or less when acquired.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is also recognised directly in equity.

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 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.

4 CASH AND CASH EQUIVALENTS

	2009 SR
Time deposits with an original maturity of less than three months	60,022,619
Cash at bank	14,626,885
Cash in hand	30,000
	<u>74,679,504</u>

The effective commission rate on the time deposit as at 31 December 2009 was 0.75%. Time deposits are held with a counterparty of investment grade quality.

5 PREPAYMENTS AND OTHER RECEIVABLES

	2009 SR
Prepayments	1,676,924
Deposits with others	127,720
	<u>1,804,644</u>

Mizuho Saudi Arabia Company
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2009

6 PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Leasehold improvements	10 years
Furniture and fixtures	5 years
Office equipment	1 year
Computer hardware and software	5 years

	<i>Leasehold improvements SR</i>	<i>Furniture and fixtures SR</i>	<i>Office equipment SR</i>	<i>Computer hardware and software SR</i>	<i>Total 2009 SR</i>
<i>Cost</i>					
Additions during the period	1,583,099	316,221	30,698	1,971,966	3,901,984
<i>Depreciation:</i>					
Charge for the period	26,385	10,541	15,791	65,732	118,449
Net book value: At 31 December 2009	<u>1,556,714</u>	<u>305,680</u>	<u>14,907</u>	<u>1,906,234</u>	<u>3,783,535</u>

7 RELATED PARTY TRANSACTIONS

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

<i>Related party</i>	<i>Nature of transactions</i>	<i>Movement during the period</i>	
		<i>Debit SR</i>	<i>(Credit) SR</i>
Shareholder	Payments on behalf of the Company	-	(10,961,247)

8 INCOME TAX

No provision for income tax has been made during current period due to the taxable losses incurred.

9 SHARE CAPITAL

The authorised, issued and paid up share capital consists of 7.5 million shares of SR 10 each.

10 STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its income after deducting losses brought forward in each year until it has built up a reserve equal to one half of the capital. The Company has not effected any transfer for the period due to the losses incurred.

Mizuho Saudi Arabia Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2009

11 PRE OPERATING INCOME, NET

	<i>Period from 6 July 2008 to 14 February 2009 SR</i>
INCOME	
Special commission income	1,651,907
EXPENSES	
Employee costs	(308,170)
Professional and consulting fees	(434,881)
Rent	(472,680)
Pre-operating income, net	436,176

12 CONTINGENT LIABILITY

The Company may be liable for potential liabilities in respect of the period prior to incorporation. The Company believes it is unlikely that any such liability will arise.

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The company's financial assets consist of cash and cash equivalents and prepayments. Its financial liabilities consist of accrued expenses and other payables.

The fair values of financial instruments are not materially different from their carrying values.

14 RISK MANAGEMENT

Special commission rate risk

The company is subject to special commission rate risk on its interest bearing assets, which primarily comprise of bank deposits.

The following table demonstrates the sensitivity of the income to reasonably possible changes in interest rates, with all other variables held constant. The sensitivity of the income is the effect of the assumed changes in interest rates on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2009.

There is no impact on the Company's equity.

	<i>Increase/decrease in basis points</i>	<i>Effect on income for the year SR</i>
2009		
Saudi Riyal	+/- 100	600,226

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. Time deposits are placed with a single counterparty. With respect to credit risk arising from the other financial assets of the Company, including cash and cash equivalents, prepayments and other receivables, the Company's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Mizuho Saudi Arabia Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2009

14 RISK MANAGEMENT (continued)

Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the balance sheet.

	2009 SR
Bank balances (including time deposit)	<u>74,679,504</u>

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. As the company has minimal operations, the company is not exposed to significant liquidity risk. Deposits are generally placed for short periods to manage the Company's liquidity requirements. All liabilities on the company's balance sheet, other than end of service benefits, are contractually payable on a current basis.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The company is not subject to fluctuations in foreign exchange rates in the normal course of its business, except for its payables denominated in Japanese Yen. The company did not undertake significant transactions in currencies other than Saudi Riyals and Japanese Yen during the period.

A 10% increase / decrease in the Japanese Yen exchange rate would impact the income statement by SAR 1,096,125.

15 SEGMENT INFORMATION

The Company has not fully commenced operations as of 31 December 2009, therefore no segments were identified.