

**Mizuho Saudi Arabia Company**  
**(A SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2010**

## 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 of 31 December 2010 and the related statements of income, cash flows and changes in equity for the period then ended. These financial statements are the responsibility of the company's management and have been prepared by them in accordance with the provisions of Article 123 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 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:

- i) present fairly, in all material respects, the financial position of the company as at 31 December 2010 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;
- ii) comply with the requirements of the Regulations for Companies and the company's bye-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young

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



Riyadh: 23 Rabi Awal 1432H  
(26 February 2011)

Mizuho Saudi Arabia Company  
(Saudi Joint Stock Company)

**BALANCE SHEET**

At 31 December 2010

	<i>Note</i>	<b>2010 SR</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	3	60,269,780
Trade receivables		5,970
Prepayments and other receivables	4	1,750,824
<b>TOTAL CURRENT ASSETS</b>		<u>62,026,574</u>
<b>NON CURRENT ASSETS</b>		
Property and equipment	5	3,586,852
<b>TOTAL ASSETS</b>		<u>65,613,426</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade payables		3,414,599
Accruals and other payables	7	2,539,508
Due to related party	6	67,770
<b>TOTAL CURRENT LIABILITIES</b>		<u>6,021,877</u>
<b>NON CURRENT LIABILITY</b>		
Employees' terminal benefits		151,399
<b>TOTAL LIABILITIES</b>		<u>6,173,276</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	9	75,000,000
Accumulated losses		(15,559,850)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>59,440,150</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>65,613,426</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 2010

	<i>For the period from 15 February 2009 to 31 December 2010</i>
<i>Note</i>	<i>SR</i>
<b>INCOME</b>	
Advisory revenue	3,643,181
Special commission income	568,064
Corporate finance income	131,234
Brokerage fees, net	5,396
	<hr/>
<b>Total income</b>	<b>4,347,875</b>
	<hr/>
<b>EXPENSES</b>	
General and administration expenses	11 (19,049,172)
Depreciation	(843,132)
Foreign exchange loss	(451,597)
	<hr/>
<b>Total expenses</b>	<b>(20,343,901)</b>
	<hr/>
<b>LOSS FROM MAIN OPERATIONS</b>	<b>(15,996,026)</b>
Pre-operating income, net	12 436,176
	<hr/>
<b>NET LOSS FOR THE PERIOD</b>	<b>(15,559,850)</b>
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<b>Loss per share</b>	
Attributable to net loss for the period	(2.07)
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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 2010

	<i>Note</i>	<i>For the period from 15 February 2009 to 31 December 2010 SR</i>
<b>OPERATING ACTIVITIES</b>		
Net loss for the period		(15,559,850)
Adjustments for:		
Depreciation		843,132
Employees' terminal benefits, net		151,399
		<u>(14,565,319)</u>
Changes in operating assets and liabilities:		
Trade receivables		(5,970)
Prepayments and other receivables		(1,750,824)
Trade payables		3,414,599
Accruals and other payables		2,539,508
Due to related party		67,770
		<u>(10,300,236)</u>
<b>INVESTING ACTIVITY</b>		
Purchase of property and equipment		(4,429,984)
		<u>(4,429,984)</u>
<b>FINANCING ACTIVITY</b>		
Issue of share capital		75,000,000
		<u>75,000,000</u>
Net cash from financing activities		<u>75,000,000</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>60,269,780</b>
Cash and cash equivalents at the beginning of the period		-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>3</b>	<b><u>60,269,780</u></b>

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

Mizuho Saudi Arabia Company  
(Saudi Joint Stock Company)

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period ended 31 December 2010

	<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	-	(15,559,850)	(15,559,850)
<b>Balance at 31 December 2010</b>	<u>75,000,000</u>	<u>(15,559,850)</u>	<u>59,440,150</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 2010

**1 ACTIVITIES**

Mizuho Saudi Arabia Company, (the Company) is a Saudi joint stock company incorporated based on Ministerial Resolution number 51 dated 20 Safar 1430 H (corresponding to 15 February 2009). The company is 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 conduct underwriting activities relating to dealing, managing, brokerage, advisory and custodial services.

In accordance with its bye-laws, the first financial period of the Company shall start from the date of the Ministerial Resolution declaring the incorporation of the Company (15 February 2009) to 31 December 2010. Accordingly, management has prepared these financial statements as the first statutory financial statements of the Company.

**2 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 is charged to the statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

*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.

*Revenue recognition*

Revenue is recognised in the statement of income as set out below:

*Special commission income*

Special commission income is accrued on an effective yield basis.

*Brokerage income*

Income from transaction-type services such as brokerage services for which customers are billed on completion of the deal are recognised when the deal has been executed, or is accrued as appropriate based on the terms of the deal.

*Advisory income*

Advisory service fees are accrued on a time proportioned basis, as the services are rendered.

*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.

*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.

Mizuho Saudi Arabia Company  
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2010

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

*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.

*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 an original maturity of three months or less when acquired.

*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.

*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 year. 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.

3 CASH AND CASH EQUIVALENTS

	2010 SR
Time deposits with an original maturity of less than three months	50,000,000
Cash at bank	10,263,521
Cash in hand	6,259
	<u>60,269,780</u>

The effective commission rate on time deposits as at 31 December 2010 was 0.66%. Time deposits are held with a counterparty of investment grade quality.

4 PREPAYMENTS AND OTHER RECEIVABLES

	2010 SR
Prepayments	1,388,826
Accrued income	234,278
Deposits with others	127,720
	<u>1,750,824</u>



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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2010

**5 PROPERTY AND EQUIPMENT**

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

	10 years	Furniture and fixtures		5 years	
Leasehold improvements		Vehicles			
Computer hardware and software	5 years			5 years	
	<i>Leasehold improvements</i>	<i>Furniture and fixtures</i>	<i>Computer hardware and software</i>	<i>Vehicles</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>2010 SR</i>
<i>Cost</i>					
Additions during the period	1,583,099	346,919	1,971,966	528,000	4,429,984
<i>Depreciation:</i>					
Charge for the period	184,695	104,482	460,131	93,824	843,132
Net book value: At 31 December 2010	<u>1,398,404</u>	<u>242,437</u>	<u>1,511,835</u>	<u>434,176</u>	<u>3,586,852</u>

**6 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>2010 SR</i>
Shareholders	Reimbursement of expenses	13,100,560
	Advisory income	3,918,750

Salaries and other short term benefits paid to Senior Management during the period amounted to SR 2,385,880.

Amount due to related party is shown in the balance sheet.

**7 ACCRUALS AND OTHER PAYABLES**

	<i>2010 SR</i>
Accrued expenses	1,886,227
Advance payment	481,187
Other payables	172,094
	<u>2,539,508</u>

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

31 December 2010

**8 INCOME TAX**

No provision for income tax has been made during the 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.

**11 GENERAL AND ADMINISTRATION EXPENSES**

	<i>For the period from 15 February 2009 to 31 December 2010 SR</i>
Employee benefits	11,582,639
IT and information	2,579,187
Rent	1,636,200
Professional fees	1,483,143
Travelling and meetings	932,208
Insurance	402,651
Advertising	223,346
Other	209,798
	<u>19,049,172</u>

**12 PRE OPERATING INCOME, NET**

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

**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.

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

31 December 2010

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 2010.

There is no impact on the Company's equity.

	<i>Increase/decrease in basis points</i>	<i>Effect on income for the period SR</i>
2010		
Saudi Riyal	+/- 100	500,000

*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, trade 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.

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

	2010 SR
Bank balances (including time deposit)	60,263,521
Other receivables	361,998
Trade receivables	5,970
	<hr/> <hr/> <b>60,631,489</b>

*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 100 basis point increase / decrease in the Japanese Yen exchange rate would impact the income statement by SR 6,777.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2010

**15 SEGMENT INFORMATION**

The company operates solely in the Kingdom of Saudi Arabia. For management purposes, the company is organised into business units based on services provided and has the following reportable segments:

**Head office/corporate**

This segment includes special commission income on bank deposit balances.

**Advisory**

Responsible for market research and issuance of reports for informational benefit of investors.

**Corporate finance**

Responsible for strategic advisory to clients on transactions including mergers and acquisitions and raising capital (both equity and debt).

**Brokerage**

Responsible for execution of trade transactions on the Saudi stock exchange on behalf of clients.

**Asset management services**

Responsible for management of investors' funds through various mutual funds to meet specified investment goals for the benefit of investors.

<i>31 December 2010</i>	<i>Head office/ corporate SR</i>	<i>Advisory SR</i>	<i>Corporate finance SR</i>	<i>Brokerage SR</i>	<i>Asset management SR</i>	<i>Total SR</i>
Income	568,064	3,643,181	131,234	5,396	-	4,347,875
Expenses	-	(5,854,442)	(3,671,805)	(5,516,998)	(5,300,656)	(20,343,901)
<b>Losses from main operations</b>	<u>568,064</u>	<u>(2,211,261)</u>	<u>(3,540,571)</u>	<u>(5,511,602)</u>	<u>(5,300,656)</u>	<u>(15,996,026)</u>
Pre-operating income, net	<u>436,176</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>436,176</u>
<b>Net loss for the period</b>						<b>(15,559,850)</b>
<b>Total assets</b>						<b>65,613,426</b>
<b>Total liabilities</b>						<b>6,173,276</b>