

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

**FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

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

**Audit Scope**

We have audited the accompanying balance sheet of Mizuho Saudi Arabia Company - a Closed Saudi Joint Stock Company (the "company") as at 31 December 2011 and the related statements of income, cash flows and changes in 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 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 2011 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 bye-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young

  
Rashid S. AlRashoud  
Certified Public Accountant  
Registration No. 366



Riyadh: 19 Rabi Thani 1433H  
(12 March 2012)

Mizuho Saudi Arabia Company  
(A Closed Saudi Joint Stock Company)

BALANCE SHEET

At 31 December 2011

	<i>Notes</i>	2011 SR	2010 SR
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	53,513,459	56,855,181
Trade receivables		-	5,970
Prepayments and other receivables	4	1,653,251	1,750,824
<b>TOTAL CURRENT ASSETS</b>		<u>55,166,710</u>	<u>58,611,975</u>
<b>NON CURRENT ASSET</b>			
Property and equipment	5	2,865,306	3,586,852
<b>TOTAL ASSETS</b>		<u><u>58,032,016</u></u>	<u><u>62,198,827</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accruals and other payables	7	2,092,325	2,539,508
Amounts due to related parties	6	-	67,770
<b>TOTAL CURRENT LIABILITIES</b>		<u>2,092,325</u>	<u>2,607,278</u>
<b>NON CURRENT LIABILITY</b>			
Employees' terminal benefits		267,918	151,399
<b>TOTAL LIABILITIES</b>		<u>2,360,243</u>	<u>2,758,677</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	75,000,000	75,000,000
Accumulated losses		(19,328,227)	(15,559,850)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>55,671,773</u>	<u>59,440,150</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u><u>58,032,016</u></u>	<u><u>62,198,827</u></u>

The attached notes 1 to 18 form part of these financial statements.

Mizuho Saudi Arabia Company  
(A Closed Saudi Joint Stock Company)

STATEMENT OF INCOME

For the year ended 31 December 2011

	Notes	2011 SR	For the period from 15 February 2009 to 31 December 2010 SR
<b>INCOME</b>			
Advisory revenue	6	8,248,048	3,643,181
Special commission income		299,006	568,064
Brokerage fees, net		2,946	5,396
Corporate finance income		205,267	131,234
<b>Total income</b>		<u>8,755,267</u>	<u>4,347,875</u>
<b>EXPENSES</b>			
General and administration expenses	11	(11,801,969)	(19,049,172)
Depreciation	5	(721,546)	(843,132)
Foreign exchange loss		(129)	(451,597)
<b>Total expenses</b>		<u>(12,523,644)</u>	<u>(20,343,901)</u>
<b>LOSS FROM MAIN OPERATIONS</b>		<u>(3,768,377)</u>	<u>(15,996,026)</u>
Pre-operating income, net	12	-	436,176
<b>NET LOSS FOR THE YEAR/PERIOD</b>		<u>(3,768,377)</u>	<u>(15,559,850)</u>
<b>Loss per share</b>			
Attributable to loss from main operation		<u>(0.50)</u>	<u>(2.13)</u>
Attributable to net loss for the year/period		<u>(0.50)</u>	<u>(2.08)</u>

The attached notes 1 to 18 form part of these financial statements.

Mizuho Saudi Arabia Company  
(A Closed Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Note	2011 SR	<i>For the period from 15 February 2009 to 31 December 2010 SR</i>
<b>OPERATING ACTIVITIES</b>			
Net loss for the year/period		(3,768,377)	(15,559,850)
Adjustments for:			
Depreciation		721,546	843,132
Employees' terminal benefits, net		116,519	151,399
		<u>(2,930,312)</u>	<u>(14,565,319)</u>
Changes in operating assets and liabilities:			
Trade receivables		5,970	(5,970)
Prepayments and other receivables		97,573	(1,750,824)
Accruals and other payables		(447,183)	2,539,508
Due to related party		(67,770)	67,770
		<u>(3,341,722)</u>	<u>(13,714,835)</u>
Net cash used in operating activities			
<b>INVESTING ACTIVITY</b>			
Purchase of property and equipment		-	(4,429,984)
		<u>-</u>	<u>(4,429,984)</u>
Net cash used in investing activities			
<b>FINANCING ACTIVITY</b>			
Issue of share capital		-	75,000,000
		<u>-</u>	<u>75,000,000</u>
Net cash from financing activities			
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(3,341,722)</b>	<b>56,855,181</b>
Cash and cash equivalents at the beginning of the year/period		56,855,181	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR / PERIOD</b>	<b>3</b>	<b><u>53,513,459</u></b>	<b><u>56,855,181</u></b>
<u>Supplementary cash flow information</u>			
Special commission income received		<u>275,617</u>	<u>539,953</u>

The attached notes 1 to 18 form part of these financial statements.

Mizuho Saudi Arabia Company  
(A Closed Saudi Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2011

	<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)
Balance at 31 December 2010	75,000,000	(15,559,850)	59,440,150
Net loss for the year	-	(3,768,377)	(3,768,377)
<b>Balance at 31 December 2011</b>	<b>75,000,000</b>	<b>(19,328,227)</b>	<b>55,671,773</b>

Mizuho Saudi Arabia Company  
(A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

**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 from the Saudi Arabian General Investment Authority (license number 1398/1 dated 23 Dhul Hijjah 1429H) (corresponding to 21 December 2008).

The objectives of the Company were to conduct the activities of dealing as agent (except executing margin trading transactions), managing, arranging, advising, and custody in the securities business.

On 11 July 2011, the board of directors resolved to cancel the company's activities of dealing as an agent, managing and custody in securities business. The continuing objective of the company will be to conduct the activities of arranging and advising in securities business. On 16 Muharram 1433 (corresponding to 11 December 2011), the Capital Market Authority approved the company's request and changed the license number of the Company to 11158-30.

**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 income.

*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.

*Arranging and advisory income*

Arranging and advisory service fees are usually accrued on a time proportion 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.

Mizuho Saudi Arabia Company  
(A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

*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.

*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

	2011 SR	2010 SR
Time deposits with an original maturity of less than three months	48,000,000	50,000,000
Cash at bank	5,461,186	6,848,922
Cash in hand	52,273	6,259
	<u>53,513,459</u>	<u>56,855,181</u>

The effective commission rate on time deposits as at 31 December 2011 was 0.59% (2010: 0.66%).

4 PREPAYMENTS AND OTHER RECEIVABLES

	2011 SR	2010 SR
Prepayments	1,274,364	1,388,826
Accrued income	257,667	234,278
Deposits with others	121,220	127,720
	<u>1,653,251</u>	<u>1,750,824</u>



Mizuho Saudi Arabia Company  
(A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

5 PROPERTY AND EQUIPMENT

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

	Leasehold improvements Computer hardware and software	10 years 5 years	Furniture and fixtures Vehicles	5 years 5 years		
	<i>Leasehold improvements SR</i>	<i>Furniture and fixtures SR</i>	<i>Computer hardware and software SR</i>	<i>Vehicles SR</i>	<i>Total 2011 SR</i>	<i>Total 2010 SR</i>
<i>Cost</i>						
At the beginning of the year/period	1,583,099	316,221	2,002,664	528,000	4,429,984	-
Additions during the year/period	-	-	-	-	-	4,429,984
At end of the year/period	1,583,099	316,221	2,002,664	528,000	4,429,984	4,429,984
<i>Depreciation:</i>						
At beginning of the year/period	184,695	73,784	490,829	93,824	843,132	-
Charge for the year/period	158,310	63,244	394,392	105,600	721,546	843,132
At end of the year/period	343,005	137,028	885,221	199,424	1,564,678	843,132
Net book value:						
At 31 December 2011	1,240,094	179,193	1,117,443	328,576	2,865,306	
At 31 December 2010	1,398,404	242,437	1,511,835	434,176		3,586,852

6 RELATED PARTY TRANSACTIONS

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

*Related party Nature of transactions*

		2011 SR	2010 SR
Affiliates	Information technology ("IT") support costs	815,080	349,876
Shareholder	Advisory income	8,248,048	3,643,181
	Expenses and salaries paid on behalf of the Company	3,751,596	2,385,880
	Expenses incurred on behalf of the shareholders	150,375	10,364,804

Certain employees have been seconded to the company from a shareholder. The costs are included above.

Amounts due to related parties are shown in the balance sheet.

Mizuho Saudi Arabia Company  
(A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

**7 ACCRUALS AND OTHER PAYABLES**

	2011 SR	2010 SR
Accrued expenses	1,319,003	1,886,227
Advance payment from shareholder	541,186	481,187
Other payables	232,136	172,094
	<u>2,092,325</u>	<u>2,539,508</u>

**8 INCOME TAX**

No provision for income tax has been made during the year due to the taxable losses incurred. The Company has not received its assessments from Department of Zakat and Income Tax yet.

**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 recorded any transfer for the year due to the losses incurred.

**11 GENERAL AND ADMINISTRATION EXPENSES**

	2011 SR	<i>For the period from 15 February 2009 to 31 December 2010</i> SR
Employee benefits	6,487,837	11,582,639
IT and information	1,322,854	2,417,236
Rent	872,640	1,636,200
Professional fees	798,527	1,483,143
Travelling and meetings	342,162	932,208
Insurance	267,461	402,651
Advertising	26,936	223,346
Other	369,999	250,561
Withholding taxes	1,313,553	121,188
	<u>11,801,969</u>	<u>19,049,172</u>

Mizuho Saudi Arabia Company  
(A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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. 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 2011.

There is no impact on the Company's equity.

	<i>Increase/decrease in basis points</i>	<i>Effect on income for the year/ period SR</i>
<b>2011</b>		
Saudi Riyal	+/- 10	48,000
<b>2010</b>		
Saudi Riyal	+/- 10	50,000

*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 other financial assets of the Company, including cash and cash equivalents, 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  
(A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

14 RISK MANAGEMENT (continued)

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

	2011 SR	2010 SR
Bank balances (including time deposit)	53,461,186	56,848,922
Other receivables	636,554	390,109
Trade receivables	-	5,970
	<u>54,097,740</u>	<u>57,245,001</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 year.

15 COMPARATIVE FIGURES

Certain of the prior period's amounts have been reclassified to conform to the presentation in the current year.

16 COMMITMENTS

The company holds balances amounting to SR Nil (SR 3,414,599 at 31 December 2010) in respect of client money for securities transactions in the Kingdom of Saudi Arabia on behalf of its customers. These are not treated as assets of the Company and accordingly are not included in these financial statements.

17 SEGMENT INFORMATION

The company operates solely in the Kingdom of Saudi Arabia and effectively has only two operating segments – Advising and Arranging. Advising is responsible for market research and issuance of reports for informational benefit of investors. Arranging is responsible for strategic advisory to clients on transactions including merger and acquisitions and raising capital (both equity and debt). Segment wise information is however not currently tracked by the Company due to the minimal level of operations.

18 APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements have been approved by the board of directors of the company on 19 Rabi Thani 1433H (corresponding to 12 March 2012).